

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the **offering circular**), and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES REFERRED TO HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: This offering circular is being sent at your request and by accepting the e-mail and accessing this offering circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such offering circular by electronic transmission.

You are reminded that this offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this offering circular to any other person.

EU MiFID II PRODUCT GOVERNANCE/TARGET MARKET: The Pricing Supplement (as defined in the offering circular) in respect of any Notes may include a legend entitled “EU MiFID II Product Governance” which will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes are appropriate. Any person offering, selling or recommending such Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Lead Arranger (as defined below), the Dealers (as defined below), or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE/TARGET MARKET: The Pricing Supplement (as defined in the offering circular) in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes are appropriate. Any person offering, selling or recommending such Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA (**UK MiFIR**) and the FCA Product Intervention and Product Governance Sourcebook (together with UK MiFIR, the **UK MiFIR Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Lead Arranger (as defined below), the Dealers (as defined below), or any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area (**EEA**). For these purposes, an “EEA Retail Investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) No 2017/1129 (as amended, the **EU Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **EU PRIIPs Regulation**) for offering or selling such Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling such Notes or otherwise making them available to any EEA Retail Investor in the EEA may be unlawful under the EU PRIIPs Regulation. For these purposes, the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes so as to enable an investor to decide to purchase or subscribe for the Notes.

PROHIBITION OF SALES TO UK RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (**UK**). For these purposes, a “UK Retail Investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of assimilated law in the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, including by the Retained EU Law (Revocation and Reform) Act 2023, the **EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in the EU Prospectus Regulation as it forms part of assimilated law in the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of assimilated law in the UK by virtue of the EUWA (as may be amended or superseded from time to time, the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the

UK may be unlawful under the UK PRIIPs Regulation. For these purposes, the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes so as to enable an investor to decide to purchase or subscribe for the Notes.

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This offering circular must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

Relevant persons should note that all, or most, of the protections offered by the UK regulatory system will not apply to an investment in the Notes and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

The materials relating to the offering of securities to which this offering circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of Standard Chartered Bank (the **Lead Arranger**) and Australia and New Zealand Banking Group Limited, Citigroup Global Markets Limited, Deutsche Bank AG, Singapore Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, ING Bank N.V., Singapore Branch, J.P. Morgan Securities plc, Merrill Lynch (Singapore) Pte. Ltd., Mizuho Securities Asia Limited, MUFG Securities EMEA plc, Nomura International plc, Standard Chartered Bank, UBS AG Singapore Branch, Wells Fargo Securities International Limited, and Wells Fargo Securities, LLC (each a **Dealer**, and collectively, the **Dealers**), or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer (as defined in this offering circular) in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently the Lead Arranger, the Dealers, any person who controls the Lead Arranger or any Dealer, or any director, officer, employee or agent of the Lead Arranger or any of the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this offering circular distributed to you in electronic format and the hard copy version available to you on request from the Lead Arranger and the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



(Incorporated with limited liability in the Republic of the Philippines)

U.S.\$5,000,000,000 Medium Term Note Programme

Under this U.S.\$5,000,000,000 Medium Term Note Programme (the **Programme**), BDO Unibank, Inc. (the **Issuer** or the **Bank**), acting through its principal office in the Philippines, Hong Kong Branch, Singapore Branch or other foreign branch, as the case may be, may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Application has been made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in, and quotation of, any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the **Official List**). There is no guarantee that such application to the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein or the relevant Pricing Supplement for the Notes. The application to, approval in-principle from, admission to the Official List, and quotation of any Notes on, the SGX-ST, are not to be taken as an indication of the merits of the Issuer, the Programme, or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a pricing supplement (the **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

See “*Investment Considerations*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**).

Each Tranche of Notes of each series (as defined in “*Form of the Notes*”) to be issued in bearer form (**Notes**, comprising a **Series**) will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note**) and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note** as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream. On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive bearer Notes of the same Series.

Registered Notes will initially be represented by a global note in registered form, without receipts or coupons, (a **Registered Global Note**) deposited with a common depositary for Euroclear and Clearstream, and registered in the name of a nominee of such common depositary.

The applicable Pricing Supplement will specify that definitive Notes will be made available in certain limited circumstances.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or with any U.S. securities laws and Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. See “*Subscription and Sale*”.

This Offering Circular is an advertisement and is not a prospectus for the purposes of Regulation (EU) 2017/1129 (as amended, the **EU Prospectus Regulation**), the EU Prospectus Regulation as it forms part of assimilated law in the UK by virtue of the European Union (Withdrawal) Act of 2018 (the **UK Prospectus Regulation**), the European Union (Prospectus) Regulations 2019, as amended, of Ireland or any implementing legislation or rules relating thereto.

Lead Arranger

Standard Chartered Bank

Dealers

ANZ	BofA Securities	Citigroup	Deutsche Bank	Goldman Sachs	HSBC	ING
J.P. Morgan	Mizuho	MUFG	Nomura	Standard Chartered Bank	UBS	Wells Fargo Securities

The date of this Offering Circular is 11 April 2025.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Issuer, having made all reasonable enquiries and to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), confirms that this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, and that there are no other facts in relation to the Issuer, the Programme and the Notes the omission of which would in the context of the issue of the Notes make any statement in this Offering Circular misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly made or held, have been reached after considering all relevant circumstances and have been based on reasonable assumptions and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly. Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer since the date hereof or thereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein or therein is correct as at any date subsequent to the date hereof or thereof or the date upon which this Offering Circular has been most recently amended or supplemented. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

To the fullest extent permitted by law, none of the Dealers or the Lead Arranger accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Lead Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Lead Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Issuer, the Lead Arranger, the Dealers, the Trustee, or the Agents (as defined herein).

None of the Lead Arranger, the Dealers, the Trustee, or the Agents has separately verified the information contained herein or incorporated by reference in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Lead Arranger, the Dealers, the Trustee, the Agents, or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. None of the Lead Arranger, the Dealers, the Trustee or the Agents accept any responsibility for any acts or omissions of the Issuer or any other person (other than the relevant Dealers) in connection with the issue and offering of the Notes.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Lead Arranger, the Dealers, the Trustee, or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Lead Arranger, the Dealers, the Trustee, or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Lead Arranger, the Dealers, the Trustee, and the Agents expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Lead Arranger, the Dealers, the Trustee, and the Agents do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, any of the Lead Arranger, the Dealers, the Trustee, or the Agents which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, Singapore, Hong Kong, the Philippines and the People's Republic of China, see "*Subscription and Sale*". If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Lead Arranger or a Dealer or any affiliate of the Lead Arranger or such Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Lead Arranger or such Dealer or affiliate on behalf of the Issuer in such jurisdiction.

None of the Issuer, the Lead Arranger, the Dealers, the Trustee, and the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000, as amended (including by the Financial Services Act 2012) (FSMA) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "*Subscription and Sale*".

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NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO PROSPECTIVE INVESTORS: Prospective investors should be aware that certain intermediaries in the context of any offering of the Notes (as defined in this Offering Circular), including certain Dealers (as defined in this Offering Circular), may be “capital market intermediaries” (together, the **CMI**s) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the **Code**). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (together, the **OC**s) for the offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an association (an **Association**) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant offering, such order is hereby deemed not to negatively impact the price discovery process in relation to such offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant offering based on the principal amount of the Notes distributed by such private banks to investors. Details of any such rebate will be set out in the applicable Pricing Supplement. If a prospective investor is an asset management arm affiliated with any Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Dealer or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the relevant offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. If a prospective investor is otherwise affiliated with any Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the relevant offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to such offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Dealers and/or any other third parties as may be required by the Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for the relevant offering. Failure to provide such information may result in that order being rejected.

THE NOTES BEING OFFERED OR SOLD HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (“PHILIPPINE SEC”) UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES AND ITS IMPLEMENTING RULES AND REGULATIONS (THE “SRC”). ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

For a description of other restrictions, see “*Subscription and Sale*”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Parent Bank and the Bank's audited financial statements as at and for the years ended 31 December 2022, 2023 and 2024 included in this Offering Circular have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS is substantially based on International Financial Reporting Standards. The Parent Bank's and the Bank's financial statements as at and for the years ended 31 December 2022, 2023 and 2024 were audited by Punongbayan & Araullo (P&A), independent auditors, in accordance with Philippine Standards on Auditing.

CERTAIN DEFINITIONS

Unless the context clearly indicates otherwise, any reference to the **Bank** refers to BDO Unibank, Inc. and its subsidiaries and associates on a consolidated basis, and **Parent Bank** refers to BDO Unibank, Inc. on an unconsolidated basis. The information contained in this Offering Circular relating to the Bank, its operations and those of its subsidiaries and associates has been supplied by the Bank, unless otherwise stated herein. To the best of its knowledge and belief, the Bank (which has taken all reasonable care to ensure that such is the case) confirms that, as at the date of this Offering Circular, the information contained in this Offering Circular relating solely to the Bank, its operations and those of its subsidiaries and associates is true and that there is no material misstatement or omission of fact which would make any statement in this Offering Circular misleading in any material respect and that the Bank hereby accepts full and sole responsibility for the accuracy of the information contained in this Offering Circular with respect to the same. Unless otherwise indicated, all information in this Offering Circular is as at the date of this Offering Circular. Neither the delivery of this Offering Circular nor any sale made pursuant to this Offering Circular shall, under any circumstances, create any implication that the information contained herein is correct as at any date subsequent to the date hereof or that there has been no change in the affairs of the Bank since such date. Neither the Lead Arranger nor the Dealers assume any liability for information supplied by the Bank in relation to this Offering Circular.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the **Philippines** are references to the Republic of the Philippines. All references to the **Government** herein are references to the Government of the Republic of the Philippines. All references to the **BSP** herein are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to **United States** or **U.S.** herein are to the United States of America, its territories and possessions, any State of the United States and the District of Columbia. All references to **Peso** and **₱** herein are to the lawful currency of the Philippines and all references to **U.S. Dollars** or **U.S.\$** herein are to the lawful currency of the United States. All references to **S\$** herein are to the lawful currency of the Republic of Singapore. All references to the **PRC** herein are references to the People's Republic of China. All references to **Renminbi**, **RMB** and **CNY** herein are to the lawful currency of the PRC. In addition, all references to **Macau** herein are to the Macau Special Administrative Region of the PRC, all references to **Mainland China** herein are to the PRC excluding Hong Kong and Macau and all references to **Greater China** are to the PRC including Hong Kong and Macau. Unless the context indicates otherwise, references to a particular **fiscal** year are to the Bank's financial year ended 31 December of such year.

This Offering Circular contains translations of certain amounts into U.S. Dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, Philippine Peso/U.S. Dollar exchange rates referred to in this Offering Circular are weighted average rates for the indicated period or on the applicable date, as relevant, for the purchase of U.S. Dollars with Pesos published in the Reference Exchange Rate Bulletin by the BSP (the **BSP Rate**). No representation is made that the Peso, U.S. Dollar, or other currency amounts referred to herein could have been or could be converted into Pesos, U.S. Dollars, or any other currency, as the case may be, at this rate, at any particular rate or at all.

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components. On 8 April 2025, the BSP Rate was ₱57.2970 = U.S.\$1.00.

ENFORCEABILITY OF CIVIL LIABILITIES

The Bank is organised under the laws of the Philippines. Substantially all of the directors and executive officers of the Bank are residents of the Philippines and a substantial portion of the assets of the Bank and the assets of such persons are located in the Philippines. As a result, it may not be possible for investors to effect service of process upon the Bank, or such directors and executive officers outside the Philippines, or to enforce judgments obtained against them outside the Philippines predicated upon civil liabilities of the Bank or such directors and executive officers under laws other than Philippine law.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Moreover, the Philippines enacted Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, to facilitate the enforcement of arbitral awards in the Philippines. The enforceability of foreign judgments in the Philippines is specifically provided for in the 1997 Rules of Civil Procedure. Section 48 of Rule 39 of the Rules of Civil Procedure provides that a judgment or final order of a tribunal of a foreign country having jurisdiction to give the judgment or final order: (a) in case of a judgment or final order upon specific property, is conclusive upon the title to that property; and (b) in case of a judgment or final order against a person, is presumptive evidence of a right between the parties and their successors in interest by a subsequent title. In either case, the judgment or final order may be repelled if there is a defect relating to jurisdiction or notice to the other party, collusion, fraud or clear mistake of law or fact. In addition, Article 17 of the Civil Code of the Philippines provides that the judgment must not be contrary to laws that have for their object public order, public policy and good customs in the Philippines. Furthermore, Philippine courts have held that a foreign judgment is presumed to be valid and binding in the country from which it issues, until the contrary is shown, and the party contesting the foreign judgment has the burden of overcoming the presumption of its validity.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as “will”, “would”, “aimed”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may” and similar expressions or variations of such expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the expectations of the Issuer with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its allowance for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to implement its dividend policy, the impact of Philippine banking regulations on it, which includes the assets and liabilities of the Issuer, its ability to roll over its short-term funding sources, its exposure to market risks and the market acceptance of and demand for internet banking services.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to general economic and political conditions in the Philippines, southeast Asia, and the other countries which have an impact on the Issuer’s business activities or investments, political or financial instability in the Philippines or any other country caused by any factor including any terrorist attacks in the Philippines, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of the Philippines, political or financial instability in the Philippines or any other country or social unrest in any part of the Philippines, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Peso, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets and level of internet penetration in the Philippines and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in the Philippines and regional or general changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under “*Investment Considerations*” contained in this Offering Circular.

BASIS FOR CERTAIN MARKET DATA

Market data and certain industry forecasts and other data used throughout this Offering Circular were obtained or derived from internal surveys, market research, governmental data, publicly available information or industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information are not guaranteed and have not been independently verified by the Bank or the Lead Arranger or Dealers or the Trustee or the Agents. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Bank, the Lead Arranger, Dealers, the Trustee or the Agents make any representation or warranty, express or implied, as to the accuracy or completeness of such information. In addition, such information may not be consistent with other information compiled within or outside the Philippines.

IMPORTANT NOTICE RELATING TO THE USE OF PROCEEDS OF NOTES DESIGNATED AS GREEN, BLUE, SOCIAL, ORANGE, OR SUSTAINABILITY BONDS

Prospective investors should have regard to the information set out in the “*Use of Proceeds*” section of this Offering Circular and should consult with its legal or other advisers before making an investment in the Notes and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation the investor deems necessary. In particular, no assurance is given by the Issuer, the Lead Arranger, the Dealers, the Trustee, the Agents, or any other person that the investment of an amount equivalent to the net proceeds in any Eligible Projects (as defined in the “*Sustainable Finance Framework*” section of this Offering Circular) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulation or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any Eligible Projects. Moreover, no assurance can be provided that any adverse social, environmental, sustainability-related and/or other impacts will not occur during the implementation of any activities, projects or expenditures that are the subject of, or related to, the Sustainable Finance Framework. In addition, the Sustainable Finance Framework may be amended at any time without notice or the consent of Noteholders and none of the Issuer, the Lead Arranger, the Dealers, the Trustee, the Agents, or any other person assumes any obligation or responsibility to release any update or revision to the Sustainable Finance Framework and/or information to reflect events or circumstances since the date of publication of the Sustainable Finance Framework. The Lead Arranger, the Dealers, the Trustee, and the Agents shall not be responsible for the ongoing monitoring of the use of proceeds in respect of the Notes. Furthermore, none of the Issuer, the Lead Arranger, the Dealers, the Trustee, or the Agents makes any representation as to the suitability or content of the Sustainable Finance Framework.

As of the date of this Offering Circular, the Bank’s Sustainable Finance Framework dated July 2024 is available at <https://www.bdo.com.ph/about-bdo/sustainability/sustainable-finance>. The contents of the Issuer’s website and the Sustainable Finance Framework do not form part of this Offering Circular and is not incorporated by reference in it.

In the event the Notes are listed or admitted to trading on any dedicated “green”, “social”, “sustainable” or any other equivalently labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Lead Arranger, the Dealers, the Trustee, the Agents, or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines, which such investor or its investments may be required to comply with, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect social, environmental or sustainability-related impact of any projects or uses of funds. No representation or assurance is given or made by the Issuer, the Lead Arranger, the Dealers, the Trustee, the Agents or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

It should further be noted that the definition (legal, regulatory or otherwise) of, or market consensus as to what constitutes or may be classified as, a “green” or an equivalently-labelled investment is evolving. No assurance can be given that clear definitions, market consensus or labels will develop over time or that, if it does or they do, the Notes will comply with such definitions, market consensus or labels. In addition, no assurance can be given by the Issuer, the Lead Arranger, the Dealers, the Trustee, the Agents or any other person to investors that the Notes will comply with any future standards or requirements regarding any “green” or other equivalently-labelled performance objectives.

None of the Lead Arranger, the Dealers, the Trustee, or the Agents has undertaken, or is responsible for, any assessment of any environmental, sustainability, social and/or other criteria for selecting investments in the Eligible Projects, any verification of whether the Notes, Eligible Projects meet any such environmental, sustainability, social, and/or other criteria, the monitoring of the use of proceeds of the Notes (or amounts equal thereto), the allocation of the proceeds by the Issuer to particular Eligible Projects as required by prospective investors, or the delivery or content of any opinion or certification of any third party (whether or not solicited by the Issuer) available in connection with the issue of Notes designated as Green, Blue, Social, Orange, or Sustainability Bonds.

For a description of other restrictions, see “*Subscription and Sale*”.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Issuer, (see “*General Information*” for a description of the financial statements currently published by the Issuer); and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. Copies of the documents listed in (a) above which are deemed to be incorporated by reference in this Offering Circular may be obtained at the Philippine Stock Exchange’s website at edge.pse.com.ph.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of the principal paying agent in London (which for the time being is The Bank of New York Mellon, London Branch (the **Principal Paying Agent**) for the Notes listed on the SGX-ST).

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

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*”.

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. Dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the U.S. Dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined by the Principal Paying Agent, as at the date on which agreement is reached for the issue of Notes on the basis of the spot rate for the sale of the U.S. Dollar against the purchase of that Specified Currency in the London foreign exchange market quoted by leading international bank selected by the Principal Paying Agent on the relevant day of calculation;
- (b) the U.S. Dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the amount of the subscription price paid); and
- (c) the U.S. Dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the nominal amount of those Notes.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Issuer.....	BDO Unibank, Inc., acting through its principal office in the Philippines, Hong Kong Branch, Singapore Branch or other foreign branch (as specified in the relevant Pricing Supplement)
Description.....	Medium Term Note Programme
Lead Arranger.....	Standard Chartered Bank
Dealers.....	Australia and New Zealand Banking Group Limited, Citigroup Global Markets Limited, Deutsche Bank AG, Singapore Branch, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited, ING Bank N.V., Singapore Branch, J.P. Morgan Securities plc, Merrill Lynch (Singapore) Pte. Ltd., Mizuho Securities Asia Limited, MUFG Securities EMEA plc, , Nomura International plc, Standard Chartered Bank, UBS AG Singapore Branch, Wells Fargo Securities International Limited, Wells Fargo Securities, LLC, and any other Dealers appointed in accordance with the Programme Agreement (as defined under “ <i>Subscription and Sale</i> ”).
Certain Restrictions	Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000, as amended (including by the Financial Services Act 2012) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”.

Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch.
Registrar.....	The Bank of New York Mellon, SA/NV, Luxembourg Branch.
Programme Size.....	U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) in aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Investment Considerations.....	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes issued under the Programme. These are set out under “ <i>Investment Considerations</i> ” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Investment Considerations</i> ” and include certain risks

relating to the structure of particular Series of Notes and certain market risks.

Distribution..... Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

The Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest or distributions, if any), the Notes of each Series being intended to be interchangeable with all other Notes of the Series. Each Series may be issued in tranches (each a **Tranche**) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest or distributions and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be specified in the Pricing Supplement.

Currencies..... Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.

Maturities..... Such maturities as may be agreed between the Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price..... Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes..... The Notes will be issued in bearer or registered form as described in “*Form of the Notes*”. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes..... Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Index Linked Notes..... Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of

securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in Floating Rate

Notes and Index Linked Interest Notes. Floating Rate Notes and Index Linked Interest Notes may also have a relation to maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes..... Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Other Notes..... The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption..... The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) in specified instalments, if applicable; (ii) for taxation and regulatory reasons; or (iii) following an Event of Default (as defined in Condition 10.1) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “*Certain Restrictions — Notes having a maturity of less than one year*” above.

Denomination of Notes..... Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “*Certain Restrictions — Notes having a maturity of less than one year*” above.

Taxation..... All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 8.2), subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge..... The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Cross Default	The terms of the Notes will contain a cross default provision as further described in Condition 10.1(c).
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Listing	Application has been made to the SGX-ST for permission to deal in, and quotation of, any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST with a minimum board lot size of at least S\$200,000 or its equivalent in foreign currencies. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Ratings	Notes issued under the Programme may be rated or unrated, as specified in the applicable Pricing Supplement. Where a certain Series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Clearing System	Euroclear, Clearstream and/or any other clearing system, as specified in the applicable Pricing Supplement (see “ <i>Form of Notes</i> ”).
LEI	[Principal office: 3FGIIBS1PEI1FYQBGN97]/ [Hong Kong Branch: 549300FKBDBMXH4N9N93] [Singapore Branch: 549300PXLLK5QCF1XC81]/ [other foreign branch: []]
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, Singapore, the Philippines, the People’s Republic of China and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “ <i>Subscription and Sale</i> ”).
United States Selling Restrictions	Regulation S Category, as specified in the applicable Pricing Supplement. TEFRA C/TEFRA D/TEFRA C and D are not applicable, as specified in the applicable Pricing Supplement.
Notes Issued as Green, Blue, Social, Orange, or Sustainability Bonds	The Issuer may agree at the relevant issue date of any Notes designated as Green, Blue, Social, Orange, or Sustainability Bonds (as described in “ <i>Use of Proceeds</i> ”) to allocate an amount equal to the net proceeds

towards the financing and/or refinancing of Eligible Projects (as defined in “*Sustainable Finance Framework*”) in accordance with certain prescribed eligibility criteria described under the Bank’s Sustainable Finance Framework. It would not be a default under the Green, Blue, Social, Orange, or Sustainability Bonds if (i) the Issuer were to fail to allocate the proceeds in the manner specified in the applicable Pricing Supplement or otherwise not comply with the Bank’s Sustainable Finance Framework and/or (ii) any third-party statements issued in connection with such Green, Blue, Social, Orange, or Sustainability Bonds were to be withdrawn, modified or downgraded. Any failure to allocate as specified or otherwise comply with the Bank’s Sustainable Finance Framework or any withdrawal, modification, or downgrade of third-party statements issued in connection with Notes designated as Green, Blue, Social, Orange, or Sustainability Bonds and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with respect to such Green, Blue, Social, Orange, or Sustainability Bonds may affect the value and/or trading price of the Green, Blue, Social, Orange, or Sustainability Bonds and/or may have consequences for certain investors with portfolio mandates to invest in assets with environmentally-beneficial or socially-beneficial attributes. See “*Investment Considerations—Risks Relating to the Notes issued as Green, Blue, Social, Orange, or Sustainability Bonds*”.

FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (**Coupons**) attached (**Bearer Notes**), or registered form, without interest coupons attached (**Registered Notes**). The Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear and Clearstream.

Bearer Notes

Each Tranche of Bearer Notes will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a Bearer Global Note) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) Definitive Bearer Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10.1) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to such effect from an authorised officer of the Issuer has been given to the Trustee. The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, the Trustee may give notice to the Principal Paying Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange following an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION MAY BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The applicable Pricing Supplement will specify whether U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) or any successor rules that are in substantially the same form that are applicable (or relevant under IRS Notice 2012-20) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended, (the **TEFRA C Rules**) shall apply. In the absence of specification, U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) or any successor rules that are in substantially the same form that are applicable (or relevant under IRS Notice 2012-20) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended, (the **TEFRA D Rules**) will apply. Bearer Notes with an original maturity of one year or less or where the applicable Pricing Supplement specifies that the TEFRA C Rules will apply will be represented upon issue by a Permanent Bearer Global Note, unless otherwise specified in the applicable Pricing Supplement, and in substantially the form (subject to amendment and completion) scheduled to the Agency Agreement or in such other form as the Issuer, the relevant purchaser and the Principal Paying Agent agree. Bearer Notes with a maturity of more than one year and where the Pricing Supplement does not specify that the TEFRA C Rules will apply will be represented upon issue by a Temporary Bearer Global Note in substantially the form (subject to amendment and completion) scheduled to the Agency Agreement or in such other form as the Issuer, the relevant purchaser and the Principal Paying Agent agree unless otherwise specified in the applicable Pricing Supplement.

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (**Definitive Registered Notes**).

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar (each as defined under “*Terms and Conditions of the Notes*”) will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event (as defined under “*Form of the Notes*”).

The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described

in (iii) of the definition of Exchange Event under “*Form of the Notes*”, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, in each case to the extent applicable.

General

All Notes will be issued pursuant to the Trust Deed and the Agency Agreement (each as defined under “*Terms and Conditions of the Notes*”).

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a **Global Note**) held on behalf of Euroclear and/or Clearstream, each person (other than Euroclear and/or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, its agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Trust Deed and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Trustee and the Principal Paying Agent.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

No Noteholder, Receiptholder or Couponholder (each as defined in “*Terms and Conditions of the Notes*”) shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7.2), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 17, such modification will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[EU MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in [Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA (as may be amended or superseded from time to time, "**UK MiFIR**")]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[MiFID II][and][UK MiFIR] - professionals/ECPs-only [/No PRIIPs or UK PRIIPs KID]23 – Manufacturer target market ([MiFID II][and][UK MiFIR] product governance) is eligible counterparties and professional clients only (all distribution channels). [No PRIIPs or UK PRIIPs key information document (KID) has been prepared as not available to retail in EEA or UK.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area ("**EEA**"). For these purposes, an "EEA Retail Investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**")]; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**EU Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA retail investor in the EEA may be unlawful under the EU PRIIPs Regulation. For these purposes, the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes so as to enable an investor to decide to purchase or subscribe for the Notes.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom ("**UK**"). For these purposes, a "UK Retail Investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of assimilated law in the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, including by the Retained EU Law (Revocation and Reform) Act 2023, the "**EUWA**")]; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**"), and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA; or (iii) not a qualified investor as

defined in the EU Prospectus Regulation as it forms part of assimilated law in the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of assimilated law in the UK by virtue of the EUWA (as may be amended or superseded from time to time, the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation. For these purposes, the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes so as to enable an investor to decide to purchase or subscribe for the Notes.]

SFA Notification – [the following legend to be included if Notes are capital markets products other than prescribed capital markets products and Specified Investment Products;]

Section 309B(1)(c) Notification – [The Notes shall be capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).] [Note: Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.]

BDO Unibank, Inc.
acting through its [principal office in the Philippines][Hong Kong Branch][Singapore Branch]/specify
other foreign branch]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$5,000,000,000
Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [] and any documents therein incorporated by reference (collectively, the **Offering Circular**). This Pricing Supplement comprises the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date] which are incorporated by reference in the Offering Circular dated [current date] and are attached hereto. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. Issuer: BDO Unibank, Inc., acting through its [principal
office in the Philippines]
[Hong Kong Branch]
[Singapore Branch]
[specify other foreign branch]

LEI:

[Principal office: 3FGIIBS1PEI1FYQBGN97]/

[Hong Kong Branch:

549300FKBDBMXH4N9N93]/

[Singapore Branch:

549300PXLLK5QCF1XC81]/[other branch]

2. (a) Series Number: []
- (b) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 28 below, which is expected to occur on or about [date]] [Not Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
5. (a) Issue Price: [] % of the Aggregate Nominal Amount
[plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (b) Net Proceeds: []
(only for listed notes)
6. (a) Specified Denominations: []

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive (Directive 2004/109/EC of the European Parliament and of the Council on the Harmonisation of Transparency Requirements in relation to information about issuers whose securities are admitted to trading on a regulated market) exemptions in respect of whole sale securities and in order to benefit from the wholesale exemption set out in Article 1.4(c) of the Prospectus Regulation in that Member State.)

(Note — where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:

(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange or

a United Kingdom exchange; and (ii) only offered in the European Economic Area or the United Kingdom in circumstances where a prospectus is not required to be published under the Prospectus Regulation the €100,000 minimum denomination is not required.)

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”

(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)

(N.B. If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency)

(b) Calculation Amount: []

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: []

(b) Trade Date: []

(c) Interest Commencement Date: [Specify]/[Issue Date]/[Not Applicable]

(N.B. An Interest Commencement Date will not be relevant of certain Notes, for example Zero Coupon Notes.)

8. Maturity Date: [Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year]]⁽¹⁾

9. Interest Basis: [[]% Fixed Rate]
[[EURIBOR/SOFR Benchmark/alternative Reference Rate] +/- []% Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
[(further particulars specified below)]

10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]

⁽¹⁾ Note that for Hong Kong dollar and Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

- [Partly Paid]
[Instalment]
[specify other]
11. Change of Interest Basis or Redemption/ Payment Basis: [Applicable/Not Applicable]
(If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis)
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Notes: Senior
14. (a) Date Board approval for issuance of Notes obtained: [] [and [], respectively]/[None required]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes.)
- (b) Date regulatory approval/consent for issuance of Notes obtained: []/[None required]
(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular Tranche of Notes.)
15. Listing: [SGX-ST]/[specify other]/[None]
(N.B. Consider disclosure requirements under the EU Prospectus Regulation applicable to securities admitted to an EU regulated market)
16. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: []% per annum [payable in arrear] on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year⁽²⁾ up to and including the Maturity Date]
(Amend appropriately in the case of irregular coupons)

⁽²⁾ Note that for certain Hong Kong dollar and Renminbi denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [].”.

- (c) Fixed Coupon Amount(s): [] per Calculation Amount⁽³⁾
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [Actual/Actual (ICMA)
30/360
Actual/365 (Fixed)⁽⁴⁾
Other]
- (f) Determination Date(s): [[] in each year] [Not Applicable]
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]
(N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration)
(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (g) Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent): []
- (h) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
18. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: [] [, subject to adjustment in accordance with the Business Day Convention set out in (c) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

[The definition of “Interest Payment Date” in Condition 5.2(b)(iii)(B)(3) applies.] (Only applicable in the case of SOFR Payment Delay)
- (b) Interest Period(s): []

[Each period beginning on (and including) [the Interest Commencement Date/[specify]] or any Specified Interest Period Date and ending on (but excluding) the next Specified Interest Period Date, subject to adjustment in accordance with the Business Day Convention set out in (iii) below, and

⁽³⁾ For Hong Kong dollar and Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest [HK\$0.01, HK\$0.005/ CNY0.01, CNY0.005] being rounded upwards.”

⁽⁴⁾ Applicable to Hong Kong dollar and Renminbi denominated Fixed Rate Notes.

“Specified Interest Period Date” means *[[specify], [specify], [specify] and [specify]]* in each year up to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out in (c) below] *(Only applicable in the case of SOFR Payment Delay where Specified Interest Period Date is required)*

- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]
- (d) Additional Business Centre(s): [Not Applicable]/*[give details]*
- (e) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (f) Calculation Agent: *[Name]*
- (g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent): [Not Applicable]/*[Name]*
- (h) Screen Rate Determination: []
- Reference Rate: [] [EURIBOR/SOFR Benchmark/*specify other Reference Rate*].
- Interest Determination Date(s): [] *(second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR)*
- [The *[fifth]*⁵ U.S. Government Securities Business Day prior to the last day of each Interest Period — *only applicable in the case of Simple SOFR Average/SOFR Lag/SOFR Observation Shift/SOFR Lockout/Compounded SOFR Index*]
- [The Specified Interest Period Date *[(as defined in 18(b))]*, provided that the Interest Determination Date with respect to the final Interest Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-off Date — *only applicable in the case of SOFR Payment Delay*]
- Relevant Screen Page: [] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- SOFR Benchmark: [Not Applicable/Simple SOFR
Average/Compounded SOFR

⁵ To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent

	Average/Compounded SOFR Index] <i>(Only applicable where the Reference Rate is SOFR)</i>
Compounded SOFR Average Method:	[Not Applicable/SOFR Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout] <i>(Only applicable where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average)</i>
Lookback Days:	[[Five] U.S. Government Securities Business Days — used for SOFR Lag only]/[Not Applicable] ⁶
SOFR Observation Shift Days:	[[Five] U.S. Government Securities Business Days — used for the SOFR Observation Shift or Compounded SOFR Index only]/[Not Applicable] ⁷
SOFR Rate Cut-Off Date:	[The date falling [five] U.S. Government Securities Business Days prior to the end of each Interest Period — used for only Simple SOFR Average (if applicable), Compound SOFR Average - SOFR Payment Delay or SOFR Lockout only]/[Not Applicable] ⁸
Interest Payment Delay Days:	[[Five] U.S. Government Securities Business Days — used for SOFR Payment Delay only]/[Not Applicable] ⁹
SOFR Index _{Start} :	[Not Applicable]/[[Five] U.S. Government Securities Business Days — used for Compounded SOFR Index only] ¹⁰
SOFR Index _{End} :	[Not Applicable]/[[Five] U.S. Government Securities Business Days — used for Compounded SOFR Index only] ¹¹
(i) ISDA Determination:	
Floating Rate Option:	[]
Designated Maturity:	[]

⁶ To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent

⁷ To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent

⁸ To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent

⁹ To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent

¹⁰ To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent

¹¹ To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent

- Reset Date: []
(In the case of a EURIBOR based option, the first day of the Interest Period)
- (j) Margin(s): [+/-][]% per annum
- (k) Minimum Rate of Interest: []% per annum
- (l) Maximum Rate of Interest: []% per annum
- (m) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360] [360/360][Bond Basis]
 [30E/360][Eurobond Basis]
 [30E/360 (ISDA)]
(See Condition 5 for alternatives)
- (n) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
19. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: []% per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
 [Actual/360]
 [Actual/365]
20. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: []
- (c) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent): [Not Applicable]/[]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (e) Interest Period(s)/ []

- (f) Specified Interest Payment Dates: []
- (g) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (h) Additional Business Centre(s): [Not Applicable]/[*give details*]
- (i) Minimum Rate of Interest: []% per annum
- (j) Maximum Rate of Interest: []% per annum
- (k) Day Count Fraction: []
21. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (b) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: []
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

22. Notice periods for Condition 7.2: Minimum period: [] days
Maximum period: [] days
23. Issuer Call: [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[] per Calculation Amount/*specify other*]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [] per Calculation Amount
- (ii) Maximum Redemption Amount: [] per Calculation Amount
- (d) Notice periods: Minimum period: [] days
Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee)

24. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other]
- (c) Notice periods: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee)
25. Final Redemption Amount of each Note: [[] per Calculation Amount/specify other/ see Appendix]
26. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): [[] per Calculation Amount/specify other/ see Appendix]
27. Applicable Spread: [[]% per annum]/[Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28. Form of Notes: [Bearer Notes:
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering*

Circular and the Notes themselves. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]”. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.)

[Registered Notes:
Registered Global Note ([] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream (specify nominal amounts)]

29. Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 18(d) and 20(h) relate)

[For the avoidance of doubt, “Payment Date” for these Notes shall include a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- (a) [repeat the details of the Financial Centre(s) as per above if applicable]; [and]
- (b) [New York City]¹² / [Hong Kong]¹³ / [Singapore]¹⁴ / [London]¹⁵ / [TARGET Business Day (being any day on which T2 is open for the settlement of payments in euro)].¹⁶

30. Talons for future Coupons or Receipts to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):

[Yes/No. If yes, give details]

31. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and

[Not Applicable/give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent

¹² For USD denominated drawdowns

¹³ For HKD or CNH denominated drawdowns

¹⁴ For SGD denominated drawdowns

¹⁵ For sterling denominated drawdowns

¹⁶ For euro denominated drawdowns

consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: *Bearer Global Note may be required for Partly Paid issues]*

32. Details relating to Instalment Notes:

(a) Instalment Amount(s): [Not Applicable/*give details*]

(b) Instalment Date(s): [Not Applicable/*give details*]

33. Redenomination, renominatisation and reconventioning provisions: [Not Applicable]/[The provisions annexed to this Pricing Supplement apply]

34. Consolidation provisions: [Not Applicable]/[The provisions in [Condition 17 (*Further Issues*)]/[annexed to this Pricing Supplement] apply]

35. Any applicable currency disruption/fallback provisions: [Not Applicable]/[*give details*]

36. Other terms or special conditions: [Not Applicable]/[*give details*] *[N.B. If full terms and conditions are to be used: The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provisions to the contrary. The full Conditions should be attached to and form part of the Pricing Supplement]*

DISTRIBUTION

37. (a) If syndicated, names of Managers: [Not Applicable/*give names*]

(b) Stabilising Manager(s) (if any): [Not Applicable/*give name(s)*]

(c) Date of Subscription Agreement: []

38. If non-syndicated, name of relevant Dealer: []

39. U.S. Selling Restriction: Reg. S Category [1]/[2]; [[TEFRA D]/[TEFRA C]/[TEFRA D and TEFRA C] are not applicable]

40. Additional selling restrictions: [Not Applicable/*give details*]

41. Additional U.S. federal income tax considerations: [Not Applicable/*give details*] *[To consider whether any considerations relating to the U.S. Foreign Account Tax Compliance Act need to be included]*

42. Private bank rebate/commission: [Not Applicable] / [A rebate of [] basis points is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing

of the offering based on the principal amount of the Notes distributed by such private banks to investors.]

OPERATIONAL INFORMATION

43. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
44. Delivery: Delivery [against/free of] payment
45. Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream
46. Additional Paying Agent(s) (if any): []
47. ISIN: []
48. Common Code: []

GENERAL

49. Rating(s): [Rating Agency: []]
50. The aggregate principal amount of Notes issued has been translated into U.S. Dollars at the rate of [], producing a sum of (for Notes not denominated in [U.S. Dollars]): [Not Applicable]/[U.S.\$[]]

HONG KONG SFC CODE OF CONDUCT

51. Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: [Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent — Overall Coordinators to provide] / [Not Applicable]
52. [Marketing and Investor Targeting Strategy: [Provide details if different from the Offering Circular]]

[USE OF PROCEEDS

Give details if different from the “Use of Proceeds” section in the Offering Circular.

For Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds: [An amount equal to the net proceeds from the Notes will be used by the Issuer to finance or refinance, in whole or in part, the Eligible Projects in accordance with certain prescribed eligibility criteria as described in the Bank’s Sustainable Finance Framework. See “Use of Proceeds” and “Sustainable Finance Framework” sections in the Offering Circular. [Specify particular use of proceeds to designate as Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds.]]

[STABILISATION

In connection with this issue, [insert name of Stabilising Manager(s)] (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there

is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or overallotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.]

[LISTING]

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$5,000,000,000 Medium Term Note Programme of BDO Unibank, Inc., acting through its [principal office in the Philippines][Hong Kong Branch][Singapore Branch][*specify other foreign branch*].]

INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk, and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure, and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial, and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

The Issuer represents and warrants that except as disclosed in this Pricing Supplement, there has been no significant change in the financial or trading position of the Issuer since *[date of most recently audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer since *[date of most recently published annual accounts]*.

INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/ Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:
Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and not so agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by BDO Unibank, Inc. (the **Issuer**), acting through its principal office in the Philippines, Hong Kong Branch, Singapore Branch or other foreign branch outside the Republic of the Philippines (the **Philippines**), as specified in the applicable Pricing Supplement, and constituted by an amended and restated trust deed dated 11 April 2025 (such trust deed as modified, or supplemented, or restated from time to time, the **Trust Deed**) made between the Issuer and The Bank of New York Mellon, London Branch (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the currency specified therein or, if none is specified, the currency in which the Notes are denominated (the **Specified Currency**);
- (ii) any Global Note in bearer form (a **Bearer Global Note**);
- (iii) any Global Note in registered form (a **Registered Global Note**);
- (iv) definitive Notes in bearer form (**Definitive Bearer Notes**, and together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and
- (v) definitive Notes in registered form (**Definitive Registered Notes**, and together with Registered Global Notes, the **Registered Notes**), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 11 April 2025 (such agency agreement as amended, supplemented, or restated from time to time, the **Agency Agreement**) and made between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and any additional paying agents appointed in accordance with the Agency Agreement (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and as transfer agent (the **Transfer Agent**, which expression shall include any additional or successor transfer agents appointed in accordance with the Agency Agreement) and The Bank of New York Mellon, SA/NV, Luxembourg Branch as registrar (the **Registrar**, which expression shall include any successor registrar, and, together with the Paying Agents and the Transfer Agents, the **Agents**).

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (**Coupons**) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions (**Conditions**) and may specify other terms and conditions

which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

Subject to prior written request and proof of holding, copies of the Trust Deed and the Agency Agreement are (i) available during normal business hours (being 9:00 a.m. to 3:00 p.m. Mondays to Fridays excluding public holidays) at the registered office for the time being of the Trustee (being 160 Queen Victoria Street, London EC4V 4LA, United Kingdom) and at the specified office of each of the Principal Paying Agent and the other Paying Agents, or (ii) available electronically via e-mail from the Principal Paying Agent. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents or electronically via e-mail save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form and/or in registered form and, in the case of definitive Notes, will be serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the

Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depositary on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream, Banking S.A. (**Clearstream**), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar, and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar, and any Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, as the case may be. References to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Trustee and the Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and *vice versa*.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Trustee, the Registrar, or as the case may be, the relevant Transfer Agent may prescribe (such initial regulations being set out in Schedule 4 to the Agency Agreement), which may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within seven business days

(being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes under Condition 7.3, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, that is called for partial redemption.

2.4 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it, provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer of Notes effected in the Republic of the Philippines (the **Philippines**) unless the Issuer is the counterparty directly liable for that documentary stamp tax.

2.5 Closed Periods

No Noteholder may require the transfer of a Definitive Registered Note to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Note.

The Issuer shall not be required in the event of a partial redemption of Notes under Condition 7:

- (a) to register the transfer of Definitive Registered Notes (or parts of such Notes) during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (b) to register the transfer of any Definitive Registered Note, or part of a Definitive Registered Note, called for redemption.

3. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Under Philippine law, unsecured debt (including guarantees of debt) of a borrower in insolvency or liquidation that is documented by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines, ranks ahead of unsecured debt that is not so documented. Debt is treated as documented by a public instrument if it is acknowledged before a notary or any person authorised to administer oaths in the Philippines. The Issuer's debt which is documented by a public instrument will rank ahead of the Notes in the event the Issuer is unable to service its debt obligations.

The Issuer will, in connection with the issuance of the Notes, represent that it has not prepared, executed or filed any public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines, relating to any Relevant Debt (as defined below), or consented to the preparation or filing of any such public instrument. The Issuer also will agree that it will not create or permit to subsist any preference or priority in respect of any Relevant Debt pursuant to Article 2244(14) of the Civil Code of the Philippines unless it grants equal and ratable preference or priority to amounts payable under the Notes.

4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed):

- (i) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (**Security**) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt; and
- (ii) the Issuer will procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (x) any of the Issuer's Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer's Relevant Debt, or (y) where the person in question is a Subsidiary (as defined in the Trust Deed) of the Issuer, any of the Relevant Debt of any person other than that Subsidiary, or any guarantee of or indemnity in respect of any such Relevant Debt, unless, at the same time or prior thereto, the Issuer's obligations under the Notes (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (which is defined in the Trust Deed as, *inter alia*, a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Notes; and
- (iii) the Issuer will not create or permit to subsist any preference or priority in respect of any other Relevant Debt of the Issuer pursuant to Article 2244(14) of the Civil Code of the Philippines, or any successor Philippine law providing for preferences or priority in respect of notarised Relevant Debt, unless amounts payable under the outstanding Notes are granted preference or priority equally and ratably therewith.

For the purposes of these Conditions, **Relevant Debt** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities (**Indebtedness**) having an original maturity of more than one year from its date of issue and which are for the time being (or in the case of Conditions 4(i) and (ii) only are capable of being) quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, provided that in the case of Condition 4(iii) Relevant Debt shall exclude (a) Indebtedness denominated, payable or optionally payable in Philippine Pesos and (b) if denominated, payable or optionally payable in U.S. Dollars, Indebtedness in an aggregate principal amount not exceeding five per cent. of the consolidated total assets as shown in the latest audited balance sheet of the Issuer.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (b) if **Actual/Actual (ICMA)** is specified in the applicable Pricing Supplement:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (c) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or
- (d) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) ***Interest Payment Dates***

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

(b) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the Euro-zone inter-bank offered rate (EURIBOR) or on the Secured Overnight Financing Rate (SOFR), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(ii) ***Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)***

Where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as EURIBOR in the applicable Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or

- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the applicable Pricing Supplement) as of 11.00 a.m. (Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, provided, however, that Condition 5.2(h) shall apply if the Issuer or its designee has determined that a Benchmark Transition Event (as defined in such Condition) has occurred.

- (iii) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark*

Where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as SOFR Benchmark in the applicable Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The **SOFR Benchmark** will be determined based on Simple SOFR Average, Compounded SOFR Average or Compounded SOFR Index, as follows (subject in each case to Condition 5.2(i) as further specified hereon):

- (C) If **Simple SOFR Average** is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be the arithmetic mean of the SOFR reference rates for each U.S. Government Securities Business Day during such Interest Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the applicable Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-off Date shall be used for the U.S. Government Securities Business Day in the relevant Interest Period from (and including) the SOFR Rate Cut-off Date to (but excluding) the last day of that Interest Period.
- (D) If **Compounded SOFR Average** is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Period (where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified in the applicable Pricing Supplement to determine Compounded SOFR Average) or the SOFR Observation Period (where SOFR Observation Shift is specified in the applicable Pricing Supplement to determine Compounded SOFR Average).

Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the applicable Pricing Supplement:

- (1) SOFR Lag:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i - \times_{USBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

SOFR_{i-xUSBD} for any U.S. Government Securities Business Day “i” in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day “i”;

Lookback Days means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement);

d means the number of calendar days in the relevant Interest Period;

d₀ for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

i means a series of whole numbers ascending from on to d₀, representing each relevant U.S. Government Securities Business Days from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a **U.S. Government Securities Business Day “i”**); and

n_i for any U.S. Government Securities Business Day “i” means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

SOFR_i for any U.S. Government Securities Business Day “i” in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”;

SOFR Observation Period means, in respect of each Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the last day of such Interest Period;

SOFR Observation Shift Days means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement);

d means the number of calendar days in the relevant SOFR Observation Period;

d₀ means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

i means a series of whole numbers ascending from one to d₀, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a U.S. Government Securities Business Day “i”); and

n_i for any U.S. Government Securities Business Day “i”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

(3) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

SOFR_i for any U.S. Government Securities Business Day “i” in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”;

Interest Payment Date shall be the number of Interest Payment Delay Days following the date of each Specified Interest Period Date (as specified in the applicable Pricing Supplement); provided that the Interest Payment Date with respect to the final Interest Period will be the Maturity Date or the relevant date for redemption, as applicable;

Interest Payment Delay Days means five U.S. Government Securities Business Days (or such other number of Business Days as specified in the applicable Pricing Supplement);

d means the number of calendar days in the relevant Interest Period;

d₀ means the number of U.S. Government Securities Business Days in the relevant Interest Period;

i means a series of whole numbers ascending from one to d₀, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a U.S. Government Securities Business Day “i”); and

n_i for any U.S. Government Securities Business Day “i”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Period where SOFR Payment Delay is specified in the applicable Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-off Date.

(4) SOFR Lockout:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

SOFR_i for any U.S. Government Securities Business Day “i” in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”, except that the SOFR for any U.S. Government Securities Business Day “i” in respect of the period from (and including) the SOFR Rate Cut-off Date to (but excluding) the last day of such Interest Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-off Date;

d means the number of calendar days in the relevant Interest Period;

d₀ means the number of U.S. Government Securities Business Days in the relevant Interest Period;

i means a series of whole numbers ascending from one to d₀, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a **U.S. Government Securities Business Day “i”**); and

n_i for any U.S. Government Securities Business Day “i”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5.2(b)(iii)(A) and 5.2(b)(iii)(B):

Bloomberg Screen SOFRRATE Page means the Bloomberg screen designated “SOFRRATE” or any successor page or service;

Reuters Page USDSOFR= means the Reuters page designated “USDSOFR=” or any successor page or service;

SOFR means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provisions:

- (1) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters

Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

- (2) if the reference rate specified in (1) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or
- (3) if the reference rate specified in (1) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5.2(i) shall apply; and

SOFR Determination Time means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day;

SOFR Rate Cut-off Date means the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement) prior to the Interest Payment Date relating to the relevant Interest Period, the Maturity Date or the relevant Optional Redemption Date, as applicable; and

- (E) If **Compounded SOFR Index** is specified as applicable in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR Index_{End}}{SOFR Index_{Start}} - 1 \right) \times \left(\frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

SOFR Index means, with respect to any U.S. Government Securities Business Day the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day provided that:

- (1) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "Compounded SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded SOFR Average formula described above in Condition 5.2(b)(iii)(B)(2) (SOFR Observation Shift), and the term "SOFR Observation Shift Days" shall mean five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement); or
- (2) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5.2(i) (Benchmark Replacement for Floating Rate Notes (SOFR)) shall apply as specified in the applicable Pricing Supplement;

SOFR Index_{End} means, in respect of an Interest Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement) preceding the last day of such Interest Period (or in the final Interest Period, the Maturity Date);

SOFR Index_{Start} means, in respect of an Interest Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement) prior to the first day of the relevant Interest Period;

SOFR Index Determination Time means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

SOFR Observation Period means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the last day of such Interest Period;

SOFR Observation Shift Days means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement); and

d_c means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for the purpose of this Condition 5.2(b)(iii)(C):

SOFR Administrator means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

SOFR Administrator's Website means the website of the SOFR Administrator (currently being, <https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind>), or any successor source;

SOFR Benchmark Replacement Date means the Benchmark Replacement Date (as defined in Condition 5.2(i)) with respect to the then-current SOFR Benchmark;

SOFR Benchmark Transition Event means the occurrence of a Benchmark Event (as defined in Condition 5.2(i)) with respect to the then-current SOFR Benchmark;

U.S. Government Securities Business Day or USBD means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than EURIBOR or SOFR, the Rate of Interest in such Notes will be determined as provided in the applicable Pricing Supplement.

(v) In these Conditions:

Reference Rate means the rate specified in the applicable Pricing Supplement; and

Relevant Screen Page means such page, section, caption, column, or other part of a particular information service as may be specified in the applicable Pricing Supplement or such successor or replacement page, section, caption, column or other part as may replace it on that information service.

(c) ***Minimum and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(d) ***Determination of Rate of Interest and Calculation of Interest Amounts***

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period and notify the Issuer, the Trustee, and the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

- (v) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (vii) if **30E/360 (ISDA)** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

m₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

D² is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or

(viii) such number would be 31, in which case D₂ will be 30.

(e) ***Notification of Rate of Interest and Interest Amounts***

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and the Principal Paying Agent as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Notice thereof shall promptly be given by the Issuer to the Noteholders and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified by the Issuer to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(f) ***Determination or Calculation***

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Calculation Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (b)(i), subparagraph (b)(ii), or subparagraph (b)(iii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Issuer shall at its own expense, appoint an independent investment bank of international repute (an **Independent Investment Bank**) to determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Independent Investment Bank shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances

(g) ***Certificates to be Final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Independent Investment Bank, shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents, the Transfer Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of gross negligence, wilful default or fraud) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent, the Registrar, the other Paying Agents, the Transfer Agents, the Independent Investment Bank or the Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions pursuant to such provisions.

(h) ***Benchmark Discontinuation (General)***

(i) *Independent Adviser*

If a Benchmark Transition Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavors to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (as defined below) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5.2(h)(ii)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5.2(h)(i) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Principal Paying Agent, the Paying Agents, or the Noteholders for any determination made by it, pursuant to this Condition 5.2(h)(i).

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5.2(h)(i) prior to the date which is ten Business Days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to Floating Rate Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest determined using the Original Reference Rate last displayed on the relevant Screen Page prior to the relevant Interest Determination Date. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in this Condition 5.2(h).

(ii) *Successor Rate or Alternative Rate*

If the Independent Adviser determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall *subsequently* be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on Floating Rate Notes (subject to the operation of this Condition 5.2(h)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on Floating Rate Notes (subject to the operation of this Condition 5.2(h)).

(iii) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5.2(h) and the Independent Adviser, determines (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure

the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the **Benchmark Amendments**) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.2(h)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee, the Principal Paying Agent and the Calculation Agent of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 5.2(h)(v), the Trustee, the Principal Paying Agent, and the Calculation Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with such determination by the Independent Adviser (following consultation with the Issuer) in using its reasonable endeavours in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed and/or agreement supplemental to or amending the Trust Deed and/or Agency Agreement) and the Trustee, the Principal Paying Agent, and the Calculation Agent shall not be liable to any party for any consequences thereof, provided that the Trustee, the Principal Paying Agent, and the Calculation Agent shall not be obliged so to concur if, in the opinion of the Trustee, the Principal Paying Agent, and/or the Calculation Agent doing so would impose more onerous obligations upon them or expose them to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to them in the Conditions, the Trust Deed, the Agency Agreement, and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.

None of the Trustee, the Calculation Agent or the Principal Paying Agent shall be responsible or liable for any determinations or certifications made by the Issuer or the Independent Adviser with respect to any Successor Rate or Alternative Rate (as applicable) or any other changes and shall be entitled to rely conclusively on certifications provided to it.

In connection with any such variation in accordance with this Condition 5.2(h)(iv), the Issuer shall comply with the rules of any stock exchange on which the Floating Rate Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.:*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5.2(h) will be notified at least ten Business Days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Principal Paying Agent, the Calculation Agent, and the Paying Agents. In accordance with Condition 14, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Principal Paying Agent, the Calculation Agent, and the Paying Agents a certificate signed by two directors of the Issuer:

- (A) confirming (1) that a Benchmark Transition Event has occurred, (2) the Successor Rate or, as the case may be, the Alternative Rate, (3) the applicable Adjustment Spread, and (4) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5.2(h); and
- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Principal Paying Agent, the Calculation Agent, and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark

Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee, the Principal Paying Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5.2(h), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5.2(h), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

(vi) *Survival of Original Reference Rate:*

Without prejudice to the obligations of the Issuer under Conditions 5.2(h)(i) to 5.2(h)(iv) (inclusive), the Original Reference Rate and the fallback provisions provided for in Condition 5.2(h)(ii) will continue to apply unless and until a Benchmark Transition Event has occurred.

(vii) *Definitions:*

As used in this Condition 5.2(h):

Adjustment Spread means either (1) a spread (which may be positive, negative or zero) or (2) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (B) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied);
- (C) the Independent Adviser determines is recognized or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

Alternative Rate means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5.2(h)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Floating Rate Notes.

Benchmark Amendments has the meaning given to it in Condition 5.2(h)(iv)).

Benchmark Transition Event means:

- (D) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (E) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (F) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (G) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Floating Rate Notes; or
- (H) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (I) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Transition Event shall be deemed to occur (1) in the case of sub-paragraphs (A) and (C) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (2) in the case of sub-paragraph (D) above, on the date of the prohibition of use of the Original Reference Rate and (3) in the case of sub-paragraph (E) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Transition Event shall be determined by the Issuer and promptly notified to the Principal Paying Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Principal Paying Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5.2(h)(i).

Original Reference Rate means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Floating Rate Notes.

Relevant Nominating Body means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as

applicable), (3) a group of the aforementioned central banks or other supervisory authorities, or (4) the Financial Stability Board or any part thereof.

Successor Rate means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(i) ***Benchmark Replacement (SOFR)***

The following provisions shall apply if Benchmark Discontinuation (SOFR) is specified in the applicable Pricing Supplement:

(i) ***Benchmark Replacement***

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) ***Benchmark Replacement Conforming Changes***

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. At the request of the Issuer, but subject to receipt by the Trustee, the Principal Paying Agent, and the Calculation Agent of a certificate signed by two authorised signatories of the Issuer, the Trustee, the Principal Paying Agent, and the Calculation Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with such determination by the Issuer or its designee in using its reasonable endeavours in effecting any Benchmark Replacement Conforming Changes (including, *inter alia*, by the execution of a deed and/or agreement supplemental to or amending the Trust Deed and/or Agency Agreement) and the Trustee, the Principal Paying Agent, and the Calculation Agent shall not be liable to any party for any consequences thereof, provided that the Trustee, the Principal Paying Agent and the Calculation Agent shall not be obliged so to concur if, in the opinion of the Trustee, the Principal Paying Agent, and/or the Calculation Agent doing so would impose more onerous obligations upon them or expose them to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to them in the Conditions, the Trust Deed, the Agency Agreement, and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.

Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee and the Agents (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions, or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) ***Decisions and Determinations***

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5.2(i), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance, or date, and any decision to take or refrain from taking any action or any selection (1) will be conclusive and binding absent manifest error, (2) will be made in the sole discretion of the Issuer or its designee, as applicable, and (3) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

Notwithstanding any other provision herein, in no event shall any of the Trustee, the Principal Paying Agent, Calculation Agent, the Registrar or Transfer Agent be responsible for exercising discretion in determining any substitute for EURIBOR, SOFR, or for making any adjustments to any alternative benchmark or spread thereon, the business day convention, interest determination dates or any other relevant methodology for calculating any such substitute or successor benchmark. In connection with the foregoing, each of the Trustee, the Principal Paying Agent, Calculation Agent, the Registrar and the Transfer Agent will be entitled to conclusively rely on any determinations made by the Issuer or its designee and will have no liability for such actions taken at the direction of the Issuer or its designee.

Any determination, decision or election that may be made by the Issuer or its designee in connection with a EURIBOR, SOFR or other benchmark transition event or a benchmark replacement, including any determination with respect to a rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the Issuer or its designee's sole discretion, and, notwithstanding anything to the contrary in the transaction documents, will become effective without consent from any other party. None of the Trustee, the Principal Paying Agent, Calculation Agent, the Registrar or Transfer Agent will have any liability for any determination made by or on behalf of the Issuer or its designee in connection with a benchmark transition event or a SOFR or other benchmark replacement.

Notwithstanding any other provision herein, none of the Trustee, the Principal Paying Agent, Calculation Agent, the Registrar or Transfer Agent shall be required to determine what conforming changes will need to be made to the terms and conditions of the Notes or documentation related thereto which reference SOFR. Such changes shall be determined by the Issuer or its designee.

(iv) *Certain Defined Terms:*

As used in this Condition 5.2(i):

Benchmark means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement;

Benchmark Transition Event means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such

component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

- (C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

Benchmark Replacement means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (A) the sum of:
 - 1) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
 - 2) the Benchmark Replacement Adjustment;
- (B) the sum of:
 - 1) the ISDA Fallback Rate; and
 - 2) the Benchmark Replacement Adjustment; or
- (C) the sum of:
 - 1) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar- denominated Floating Rate Notes at such time; and
 - 2) the Benchmark Replacement Adjustment;

Benchmark Replacement Adjustment means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar- denominated Floating Rate Notes at such time;

Benchmark Replacement Conforming Changes means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

Benchmark Replacement Date means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (A) in the case of sub-paragraph (A) or (B) of the definition of “Benchmark Transition Event”, the later of:
 - 1) the date of the public statement or publication of information referenced therein; and
 - 2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (B) in the case of sub-paragraph (C) of the definition of “Benchmark Transition Event”, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

designee means a designee as selected and separately appointed by the Issuer in writing;

ISDA Definitions means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

ISDA Fallback Adjustment means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

ISDA Fallback Rate means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

Reference Time with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Compounded SOFR Average is specified in the applicable Pricing Supplement) or SOFR Index Determination Time (where Compounded SOFR Index is specified in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

Relevant Governmental Body means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

Unadjusted Benchmark Replacement means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.5 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

5.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre in the country of the relevant Specified Currency and each Additional Business Centre specified in the applicable Pricing Supplement; and

- (b) either (i) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the **TARGET2 System**) is open; or (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong.

6. PAYMENTS

6.1 Method of Payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee; and
- (c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.2 Presentation of Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principals (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes, or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note, or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and, in the case of a payment in Renminbi, means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong) maintained by a holder with a Designated Bank and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively), (in the case of a payment

in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in Hong Kong.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifth day (in the case of Renminbi) and on the fifteenth day (in the case of a currency other than Renminbi) (whether or not such fifth day or fifteenth day is a Business Day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Trustee, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General Provisions Applicable to Payments

The holder of a Global Note (or as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of the Bearer Notes is payable in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation; and

- (ii) each Additional Financial Centre specified in the applicable Pricing Supplement; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively; (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; or (C) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

6.7 Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for Tax Reasons

Subject to Condition 7.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee, the Registrar (if applicable) and the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of, or rulings promulgated in, a Tax Jurisdiction

(as defined in Condition 8) or any change in the application or official interpretation or administration of such laws, regulations, or rulings, which change, amendment, application, interpretation, or administration becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and

- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (1) a certificate signed by an authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change, amendment, application, interpretation, or administration; and (3) in the case of Subordinated Notes, and to the extent applicable, a certificate signed by an authorised officer of the Issuer stating that the *Bangko Sentral ng Pilipinas (BSP)*, the Philippine central bank or any successor thereto, has consented to such redemption. The Trustee shall be entitled without further action or enquiry to accept the certificate(s) and the opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if any) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period (which period shall not be less than 5 Business Days) nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14, (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes (or, as the case may be, parts of Registered Notes), the Notes to be redeemed (**Redeemed Notes**) will be selected in such place as the Trustee may approve and in such manner as it deems fit, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream (as appropriate), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, the Issuer will ensure that a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption of the Notes at the Option of the Noteholders (Investor Put)

- (a) *If Investor Put is specified as being applicable in the applicable Pricing Supplement*

If Investor Put is specified as being applicable in the applicable Pricing Supplement with respect to the Notes, upon the holder of any Notes giving to the Issuer in accordance with Condition 14 not less than the minimum period of notice (which period shall not be less than 15 Business Days) nor more than the maximum period of notice specified in the applicable Pricing Supplement (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(b) ***Put Option Exercise Procedures***

To exercise the right to require redemption of a Note the holder of the Note must:

- (i) if the Note is in definitive form, deliver a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a **Put Notice**) accompanied by the definitive Note, to the specified office of any Paying Agent in the case of Bearer Notes, or of any Transfer Agent or the Registrar in the case of Registered Notes; or
- (ii) if the Note is represented by a Global Note held on behalf of Euroclear or Clearstream, give a Put Notice in accordance with the standard procedures of Euroclear or Clearstream (which may include notice being given on his instruction by electronic means) accompanied by the relevant Global Note for notation accordingly to the specified office of any Paying Agent,

at any time within the notice period during normal business hours of such Paying Agent, Transfer Agent, or the Registrar. In the Put Notice the holder must specify a bank account to which payment is to be made under this Condition, and in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2. If the Note is in definitive bearer form, the Put Notice must be accompanied by the Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

7.5 **Early Redemption Amounts**

For the purpose of Conditions 7.2 and 7.4 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5 above.

7.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.8 Purchases

Subject to applicable laws, the Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation.

7.9 Cancellation

All Notes which are redeemed or purchased in accordance with Condition 7.8 above will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

7.10 Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1, 7.2, or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

8.1 Payment without Withholding

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes, Receipts, and Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld, or assessed by or within any Tax Jurisdiction, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer at the rate of up to and including 20 per cent., the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the holders of the Notes, Receipts, or Coupons equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. In the event that the Issuer makes a deduction or withholding required by law in excess of 20 per cent. the Issuer shall pay such additional amounts (the **Additional Amounts**) as will result in receipt by the holders of the Notes, Receipts or Coupons of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note, Receipt or Coupon:

- (a) **Other connection:** to or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt, or Coupon; or
- (b) **Surrender more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Note, Receipt or Coupon for payment on the last day of such period of 30 days assuming that day to have been a Payment Day (as defined in Condition 6.6).

8.2 Interpretation

As used herein:

- (i) **Tax Jurisdiction** means:
 - (A) the Philippines or any political subdivision or any authority thereof or therein having power to tax; or
 - (B) where the Issuer is acting through its Hong Kong Branch, (x) the Philippines or any political subdivision or any authority thereof or therein having power to tax and (y) Hong Kong or any political subdivision or any authority thereof or therein having power to tax; or
 - (C) where the Issuer is acting through any other branch outside the Philippines as specified in the applicable Pricing Supplement, (x) the Philippines or any political subdivision or any authority thereof or therein having power to tax and (y) the tax jurisdiction applicable to such branch or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) **Relevant Date** in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 14 that, upon further surrender of the relevant Note, Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8.2) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

If any of the following events (each an **Event of Default**) occurs and is continuing the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified, secured and/or prefunded to its satisfaction), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed:

- (a) **Non-Payment:** there is failure to pay the principal or interest on any of the Notes when due and, in the case of failure to pay interest, such failure continues for a period of fourteen days; or
- (b) **Breach of Other Obligations:** the Issuer defaults in the performance or observance of, or compliance with, any one or more of its other obligations under these Conditions or the Trust Deed, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross-Default:** (i) any other present or future Indebtedness the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount the relevant indebtedness, guarantees and indemnities in respect of one or more events mentioned above in this subparagraph (c) exceeds U.S.\$10,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. Dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (d) **Judgment, Decree or Order:** a final judgment, decree or order has been entered against the Issuer or any Subsidiary of the Issuer by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of U.S.\$10,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. Dollar as quoted by any leading bank on the day on which this paragraph operates) and any relevant period specified for payment of such judgment, decree or order shall have expired without it being satisfied, discharged or stayed; or
- (e) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any Subsidiary of the Issuer and is not discharged or stayed within 60 days of having been so levied, enforced or sued; or
- (f) **Security Enforced:** any Security, present or future, created or assumed by the Issuer or any Subsidiary of the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) and the indebtedness secured by the Security is not discharged or such steps stayed within 60 days of such steps being so taken; or

- (g) **Insolvency:** the Issuer or any Subsidiary of the Issuer (i) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, (ii) stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, (iii) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), (iv) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts, or (v) a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Subsidiary of the Issuer; or
- (h) **Winding-up:** an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any Subsidiary of the Issuer, or the Issuer or any Subsidiary of the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by (i) a reconstruction, amalgamation, reorganisation, merger or consolidation (x) on terms approved by a resolution of the Noteholders, or (y) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary pursuant to a merger of the Subsidiary with the Issuer or such other Subsidiary or by way of a voluntary winding-up or dissolution where there are surplus assets in such Subsidiary and such surplus assets attributable to the Issuer and/or any other Subsidiary are distributed to the Issuer and/or any such other Subsidiary or (ii) a merger or consolidation with respect to the Issuer which is not materially prejudicial to the interests of the Noteholders; or
- (i) **Bankruptcy Proceedings:** proceedings shall have been initiated against the Issuer or any Subsidiary of the Issuer under any applicable bankruptcy, insolvency, reorganisation law and such proceedings shall not have been discharged or stayed within a period of 60 days; or
- (j) **Validity:** the Issuer shall contest in writing the validity or enforceability of any of the Notes or shall deny generally in writing the liability of the Issuer, under any of the Notes; or
- (k) **Analogous Events:** any event occurs, which, under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.1.

The Issuer has undertaken in the Trust Deed that, so long as any Note remains outstanding, annually and also within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by a Director to the effect that as at a date not more than five days prior to the date of the certificate no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default has occurred.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified, secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

10.3 Interpretation

In these Conditions:

- (a) **Winding-Up** shall mean, with respect to the Issuer, a final, unappealable and executory order or resolution of any court or agency or supervisory authority in the Philippines for the bankruptcy, suspension of payment, rehabilitation, winding-up, liquidation, receivership or

similar proceeding in respect of the Issuer (except for the purposes of a consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by an Extraordinary Resolution of the Noteholders); and

- (b) **Winding-Up Proceedings** shall mean, with respect to the Issuer, (a) proceedings shall have been instituted or a decree or order shall have been entered in any court or agency or supervisory authority in the Philippines having jurisdiction in respect of the same for the appointment of a receiver or liquidator in any insolvency, rehabilitation, suspension of payments, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding up of or liquidation of its affairs and such proceeding, decree or order shall not have been vacated; or (b) the Issuer shall file a petition to take advantage of any insolvency or similar statute.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced, or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent or (where applicable) or of the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The names of the initial Paying Agents, the initial Registrar, and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar, or Transfer Agents, and/or appoint additional or other Paying Agents, Registrars or Transfer Agents, and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar (which will maintain the Register outside the United Kingdom);
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority; and
- (c) so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST.

In addition, the Issuer shall with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed) forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Any variation, termination, appointment or change referred to in the preceding paragraph and/or any appointment referred to in this paragraph shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents, the Registrar, and the Transfer Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, be substituted for such mailing and such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on such day as specified in the applicable Pricing Supplement after the day on which the said notice was given to Euroclear and/or Clearstream.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

15.1 Meeting of Noteholders

The Trust Deed contains provisions for convening meetings (including by way of conference call using a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing in the aggregate not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the

Coupons, or the Trust Deed (including, *inter alia*, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be two or more persons holding or representing in the aggregate not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing in the aggregate not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

15.2 Modifications and Waivers

The Trustee may agree, without the consent or sanction of the Noteholders, Receiptholders, or Couponholders, to any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders, the Receiptholders, and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders, or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders, or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder, or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders, or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

Notwithstanding anything to the contrary in these Conditions, the Trust Deed, or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, or the Agency Agreement to exercise any discretion or power, take any action, make any decision, or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions or clarification of directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified, provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims, and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses), and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of directions, or in the event that the directions or clarifications sought are not provided by the Noteholders.

15.3 Substitution of Issuer

The Trustee may, subject to the prior written approval of the BSP (if and to the extent then required), without the consent of the Noteholders, the Receiptholders, or the Couponholders at any time, agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Condition) as the principal

debtor under the Notes, the Receipts, the Coupons, and the Trust Deed of any entity owned or controlled by the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (c) certain other conditions set out in the Trust Deed being complied with.

15.4 General

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders, and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 14.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or provided with security and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into transactions or arrangements with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or arrangements or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders, or Couponholders and (c) to retain and not be in any way liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing Law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to Jurisdiction

The Issuer has in the Trust Deed agreed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders, and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts, and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts, and/or the Coupons) and that accordingly any suit, action, or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Trust Deed, the Notes, the Receipts, and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts, and/or the Coupons) may be brought in the English courts.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or hereafter to the laying of the venue of any Proceedings (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts, and the Coupons) arising out of or in connection with the Trust Deed, the Notes, the Receipts, and the Coupons in the courts of England and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed in the Trust Deed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

19.3 Appointment of Process Agent

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at its specified office for the time being at 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Bank and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Offering Circular and the section entitled “Description of the Bank” in this Offering Circular. The selected financial information presented below as at and for the years ended 31 December 2022, 2023 and 2024 were derived from the consolidated financial statements prepared in accordance with financial reporting standards in the Philippines for banks and which include Philippine Financial Reporting Standards (PFRS), and audited by Punongbayan & Araullo (P&A) in accordance with Philippine Standards on Auditing. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date.

CONSOLIDATED STATEMENTS OF INCOME

	For the year ended 31 December			
	2022	2023	2024	2024
	(as restated)	(as restated)		
		(audited)		(unaudited)
		(in ₱ millions)		(in U.S.\$ millions)
Interest income on				
Loans and other receivables	135,796	190,067	222,735	3,839
Trading and investment securities	22,582	33,809	42,919	731
Due from BSP and other banks	3,366	7,739	6,238	108
Others	76	89	147	3
	161,820	231,704	272,039	4,689
Interest expense on				
Deposit liabilities	14,977	50,916	72,012	1,241
Bills payable and other borrowings	6,958	7,462	12,395	214
Finance lease payment payable	926	939	1,036	18
	22,861	59,317	85,443	1,473
Net interest income	138,959	172,387	186,596	3,216
Impairment losses - net	16,340	16,381	14,030	242
Net interest income after impairment losses	122,619	156,006	172,566	2,975
Other operating income				
Trading gain (losses) — net	(322)	1,455	(127)	-2
Service charges and fees	38,545	43,201	50,803	876
Miscellaneous	14,001	20,659	20,217	348
Income Attributable to Insurance Operations	4,976	6,372	6,845	118
	57,200	71,687	77,738	1,340
Other operating expenses				
Employee compensation and benefits	43,060	46,687	53,090	915
Fees and commissions	17,834	25,547	30,625	528
Taxes and licenses	9,746	13,179	15,968	275
Occupancy	10,350	11,908	12,298	212
Other operating expenses	25,636	33,191	34,632	597
	106,626	130,512	146,613	2,527
Profit before tax	73,193	97,181	103,691	1,787
Tax expense	15,959	23,621	21,471	370
Net profit	57,234	73,560	82,220	1,417

Note:

- Translations from Pesos to US dollars for the convenience of the reader have been made at the BSP Rate on 27 December 2024 of ₱58.014 = U.S.\$1.00.
- In 2024, the Bank presented separately in the consolidated financial statements the assets and liabilities of the life insurance business held primarily for the beneficial interests of the life insurance policyholders. Such assets and liabilities were reclassified and presented within the line items Investments Securities and Other Assets for Life Insurance Contracts – net, and Insurance Contract and Other Liabilities for Life Insurance Contracts, respectively. The profit or loss items comprising pre-tax income attributable to insurance operations is also presented separately in the consolidated statement of income of the Bank. The reclassifications made did not affect the consolidated financial position, equity and cash flows of the Bank, and the presentation of the separate financial statements of the Parent Bank. Further, in 2024, the Bank and Parent Bank reclassified certain transaction costs directly attributable to the acquisition, issue or disposal of financial assets or liabilities to the related interest income and interest expense. Such transaction costs were previously recognized as part of Other Operating Expenses in the statement of income. The reclassifications made did not affect the Bank’s and Parent Bank’s financial position, equity and cash flows.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 1 January		As at 31 December	
	2023	2023	2024	2024
		(audited)		(unaudited)
		(in ₱ millions)		(in U.S.\$ millions)
Cash and other cash items	82,944	94,278	109,744	1,892
Due from the Bangko Sentral ng Pilipinas	385,779	335,076	249,593	4,302
Due from other banks	60,455	85,974	90,448	1,559
Trading and investment securities	641,734	824,807	876,108	15,102
Loans and other receivables — net	2,692,523	2,881,945	3,272,518	56,409
Premises, furniture, fixtures and equipment - net	46,471	48,085	54,204	934
Investment properties	17,183	42,429	33,825	583
Equity investments	5,501	3,879	4,711	81
Investment securities and other assets for life insurance contracts — net	89,493	115,601	121,911	2,101
Other resources — net	52,625	45,587	62,988	1,086
Total resources	4,074,708	4,477,661	4,876,050	84,050
Deposit liabilities				
Demand	459,511	504,763	567,904	9,789
Savings	2,077,360	2,050,709	2,143,915	36,955
Time	684,012	1,012,078	1,082,208	18,654
Total deposit liabilities	3,220,883	3,567,550	3,794,027	65,398
Bills payable	198,891	189,582	261,470	4,507
Insurance contract and other liabilities for life insurance contracts	69,385	82,521	91,471	1,577
Other liabilities	124,092	119,454	151,687	2,615
Total liabilities	3,613,251	3,959,107	4,298,655	74,097
Equity	461,457	518,554	577,395	9,953
Total liabilities and equity	4,074,708	4,477,661	4,876,050	84,050

Note:

- (1) Translations from Pesos to US dollars for the convenience of the reader have been made at the BSP Rate on 27 December 2024 of ₱58.014 = U.S.\$1.00.
- (2) In 2024, the Bank presented separately in the consolidated financial statements the assets and liabilities of the life insurance business held primarily for the beneficial interests of the life insurance policyholders. Such assets and liabilities were reclassified and presented within the line items Investments Securities and Other Assets for Life Insurance Contracts – net, and Insurance Contract and Other Liabilities for Life Insurance Contracts, respectively. The profit or loss items comprising pre-tax income attributable to insurance operations is also presented separately in the consolidated statement of income of the Bank. The reclassifications made did not affect the consolidated financial position, equity and cash flows of the Bank, and the presentation of the separate financial statements of the Parent Bank. Further, in 2024, the Bank and Parent Bank reclassified certain transaction costs directly attributable to the acquisition, issue or disposal of financial assets or liabilities to the related interest income and interest expense. Such transaction costs were previously recognized as part of Other Operating Expenses in the statement of income. The reclassifications made did not affect the Bank's and Parent Bank's financial position, equity and cash flows.

SELECTED FINANCIAL RATIOS

Selected financial ratios	For the year ended 31 December		
	2022	2023	2024
	(in percentages except Earnings per Share)		
Return on assets ⁽¹⁾	1.5	1.7	1.8
Return on shareholders' equity ⁽²⁾	12.9	15.0	15.0
Return on average common equity ⁽³⁾	13.0	15.2	15.1
Net interest margin ⁽⁴⁾	3.9	4.4	4.4
Cost-income ratio ⁽⁵⁾	54.4	53.5	55.5
Loans to deposits ⁽⁶⁾	81.1	79.9	85.0
Common equity tier 1 capital adequacy ratio ⁽⁷⁾	13.4	13.8	14.1
Tier 1 capital adequacy ratio ⁽⁸⁾	13.6	14.0	14.3
Total capital adequacy ratio ⁽⁹⁾	14.5	14.9	15.2
Total non-performing loans to total loans — excluding interbank loans ⁽¹⁰⁾	2.05	1.89	1.87
Total non-performing loans to total loans — including interbank loans ⁽¹¹⁾	1.94	1.85	1.83
Allowances for probable loan losses to total non-performing loans ⁽¹²⁾	137.4	145.0	152.2
Earnings per share (₱) ⁽¹³⁾	10.77	13.86	15.48

Notes:

- (1) Net income divided by average total resources for the period indicated.
- (2) Net income divided by average total capital funds for the period indicated.
- (3) Net income attributable to shareholders of the Bank divided by average common equity for the period indicated.
- (4) Net interest income divided by average interest-earning assets.
- (5) Total operating expenses divided by the sum of net interest income and other income.
- (6) Net receivables from customers divided by total deposits.
- (7) Common equity tier 1 capital divided by total risk-weighted assets.
- (8) Tier 1 capital divided by total risk-weighted assets.
- (9) Total capital divided by total risk-weighted assets.
- (10) Total non-performing loans divided by total loans excluding interbank loans.
- (11) Total non-performing loans divided by total loans including interbank loans.
- (12) Total allowance for probable loan losses divided by total non-performing loans.
- (13) Net income divided by total number of outstanding shares.

USE OF PROCEEDS

The net proceeds from each issue of the Notes will be used by the Issuer for general corporate purposes.

If, in respect of any particular issue, there is a particular identified use of proceeds, including any Eligible Projects in accordance with certain prescribed eligibility criteria as described in the Bank's Sustainable Finance Framework (see "*Sustainable Finance Framework*"), this will be stated in the applicable Pricing Supplement.

The Lead Arranger and the Dealers have not separately verified nor will make any assurance as to (i) whether the Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds issued under the Sustainable Finance Framework will meet investor criteria and expectations with regard to environmental impact and/or sustainable development for any investors, (ii) whether the net proceeds from the Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds issued under the Sustainable Finance Framework will be used to finance and/or re-finance eligible assets or (iii) the characteristics of eligible assets, including their environmental impact and/or sustainable development criteria. See "*Investment Considerations—Risks Relating to the Notes issued as Green, Blue, Social, Orange, or Sustainability Bonds.*"

SUSTAINABLE FINANCE FRAMEWORK

The Issuer has published a Sustainable Finance Framework and Second Party Opinion, which can be obtained from the Issuer and may also be available on the Issuer's website (www.bdo.com.ph). The contents of the Issuer's website, the Sustainable Finance Framework, and the Second Party Opinion do not form part of this Offering Circular and is not incorporated by reference in it.

None of the Lead Arranger or the Dealers (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) have reviewed the Sustainable Finance Framework or assessed whether any Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds would comply with the Sustainable Finance Framework or any investors' green, blue, social, orange or sustainability investment requirements.

No assurance or representation is given by the Lead Arranger or the Dealers (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of any applicable Pricing Supplement. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Lead Arranger or the Dealers (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) to buy, sell or hold any such any Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds. The Noteholders have no recourse against the Lead Arranger or the Dealers (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) for the contents of any such opinion or certification. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in any Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds. Currently, the providers of such opinions and certifications are not subject to any specific or regulatory or other regime or oversight.

No assurance is given by the Lead Arranger or the Dealers (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) that the use of the proceeds of issue of any Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates. The Lead Arranger and the Dealers (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) will not have any responsibility for monitoring the application of any such proceeds.

Please see also "Investment Considerations – Risks Relating to the Notes issued as Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds – Notes issued as "Green Bonds," "Blue Bonds," "Social Bonds," "Orange Bonds," or "Sustainability Bonds" may not be a suitable investment for all investors seeking exposure to green, blue, social, or orange projects."

The Bank recognises the importance of creating value not only for its businesses, but also for its stakeholders, the environment, and the communities in which it operates. It strives to have sustainability at the core of its corporate strategies, ultimately balancing its growth aspirations with its environmental and social responsibility. The Bank promotes investments in businesses, industries, and projects that contribute to the United Nations Sustainable Development Goals. The Bank also supports and upholds the principles of the UN Global Compact.

The Bank's Sustainable Finance Framework is based on and aligned with the green bond principles and standards, social bond principles and standards, and sustainability bond guidelines and standards of the International Capital Market Association, ASEAN Capital Markets Forum, Loan Markets Association and Asia

Pacific Loan Market Association, the International Finance Corporation's guidelines for blue finance, applicable taxonomies and frameworks published by the ASEAN Capital Markets Forum, Bangko Sentral ng Pilipinas and the Philippine Department of Finance, and the Philippine SEC's guidelines on eligible green, social, sustainable, and blue projects and activities for the issuance of sustainable finance instruments in the Philippines.

As of the date of this Offering Circular, the Bank's Sustainable Finance Framework is available at <https://www.bdo.com.ph/about-bdo/sustainability/sustainable-finance>. The Bank has also appointed Morningstar Sustainability, a provider of environmental, social and governance research and analysis, to evaluate the Bank's Sustainable Finance Framework and the alignment thereof with relevant market standards and to provide its views on how impactful and credible the Sustainable Finance Framework is (the Second Party Opinion). As at the date of this Offering Circular, the Second Party Opinion (which is dated 19 July 2024) is available at <https://www.bdo.com.ph/about-bdo/sustainability/sustainable-finance>. The contents of the Issuer's website, the Sustainable Finance Framework, and the Second Party Opinion do not form part of this Offering Circular and is not incorporated by reference in it.

Use of Proceeds

Under the Bank's Sustainable Finance Framework, it may issue (i) Green Bonds to fund selected projects or assets under the "*Green Finance Use of Proceeds Categories*" set out in the Bank's Sustainable Finance Framework, (ii) Blue Bonds to fund selected projects or assets under the "*Blue Finance Use of Proceeds Categories*" set out in the Bank's Sustainable Finance Framework, (iii) Social Bonds to fund selected projects or assets under the "*Social Finance Use of Proceeds Categories*" set out in the Bank's Sustainable Finance Framework, (iv) Orange Bonds to fund selected projects or assets under the "*Gender/Orange Finance Use of Proceeds Categories*" set out in the Bank's Sustainable Finance Framework, or (v) Sustainability Bonds to fund all projects or assets under all eligible categories under a combination of green and social projects with co-benefits, as the case may be (all such eligible categories from (i) to (v), the **Eligible Projects**).

The Bank will allocate an amount equal to the aggregate net proceeds from the issuance of every Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds to finance or refinance, in whole or in part, the Eligible Projects. With respect to refinancing, only financing originally made within three years of the issue date of each relevant Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds will qualify.

Projects relating to fossil-fuel power generation, fossil-fuel power transmission, and activities dedicated to support the expansion of fossil fuel-based technologies are excluded from eligible green use of proceeds. The Sustainable Finance Framework has also defined an exclusion criteria, which excludes certain projects from the eligible use of proceeds such as production or trade of illegal products or products subject to international bans, weapons and munitions, alcoholic beverages (except beer and wine), tobacco, radioactive materials (subject to exceptions), unbonded asbestos fibers, wood or forestry products (except from sustainably managed forests), or activities relating to or involving gambling or casinos, pornography or prostitution, drift net fishing, harmful or exploitative forced labor or child labor, commercial logging operations in primary tropical moist forest, or with significant risks or impact to indigenous peoples, the environment, community health and safety, biodiversity, or cultural heritage.

Project Evaluation and Selection

The Bank's Sustainable Finance Desk will be responsible for the evaluation and selection of projects in line with the Sustainable Finance Framework's eligibility criteria. The Bank will undertake due diligence and risks identification, in line with environmental and social laws, regulations and standards as well as the Bank's internal policies. Assets or projects that meet the requirements of alignment with the eligibility criteria and due diligence and risks identification requirements will be eligible for inclusion in the sustainable finance portfolio.

Management of Proceeds

The Bank's Sustainable Finance Desk will manage the proceeds through tracking of assets within its sustainable finance portfolio. Unallocated proceeds will be held in accordance with the Bank's liquidity management policy, which may include investment in short-term liquid instruments until the amount is allocated to the sustainable finance portfolio.

Reporting

The Bank intends to report on the allocation and impact of assets within its sustainable finance portfolio on an annual basis until full allocation. Allocation reporting will include information on the use of proceeds financed by project category, amount of allocated and pending proceeds, amounts allocated to financing and refinancing, and amounts lent to customers. The Bank will also include metrics detailing environmental and social impact, in line with impact reporting guidance and templates available in the market.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalisation of the Bank as at 31 December 2024. This table should be read in conjunction with the Bank's audited financial statements as at 31 December 2024 and the notes presented elsewhere herein.

	As at 31 December 2024	
	(in ₱ millions)	(in U.S.\$ millions) ⁽¹⁾
Short-term liabilities		
Deposit liabilities	3,743,846	64,533
Bills payable and subordinated notes payable.....	141,793	2,444
Insurance contract liabilities.....	8,801	152
Other liabilities.....	131,884	2,273
Total short-term liabilities	4,026,324	69,403
Long-term liabilities net of current portion		
Deposit liabilities	50,181	865
Bills payable.....	119,677	2,063
Insurance contract liabilities.....	82,670	1,425
Other long-term liabilities	19,803	341
Total long-term liabilities net of current portion	272,331	4,694
Capital funds		
Issued share capital		
Preferred stock	6,180	107
Common stock	53,265	918
Capital paid in excess of par value	237,468	4,093
Treasury shares at cost	-7,077	-122
Surplus reserves	28,956	499
Other reserves	3	0
Surplus free	291,654	5,027
Net unrealized fair value loss on financial assets at Fair Value through Other Comprehensive Income (FVOCI).....	(12,980)	-224
Accumulated actuarial gains (losses)	(26,571)	-458
Remeasurement on life insurance reserves.....	2,766	48
Revaluation Increment	1,010	17
Accumulated translation adjustment	8	0
Accumulated share in Other Comprehensive Income (Loss) of Associates.....	(11)	0
Non-controlling interest	2,724	47
Total capital funds	577,395	9,953
Total capitalisation and indebtedness ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	4,876,050	84,050

Note:

- (1) Translations from Pesos to US dollars for convenience of the reader have been made at the BSP Rate on 27 December 2024 of ₱58.014 = U.S.\$1.00.
- (2) Total capitalisation is the sum of long-term debt net of current portion and stockholders' equity.
- (3) As at 31 December 2024, the Bank had no contingent liabilities save for those set out in Note 35 to the audited condensed financial statements of the Bank as at 31 December 2024, included elsewhere in this Offering Circular.
- (4) On 22 February 2025, the Bank announced the declaration of regular cash dividends of ₱1.00 per share on the common shares of the Bank, payable on 31 March 2025 to all stockholders of record as at 11 March 2025. The Bank also announced the allocation of up to 111 million common primary shares, which is approximately 2% of the total outstanding shares of the Bank, for future employee stock option awards.
- (5) In April and December 2024, the Bank approved the declaration of the Treasury Shares arising from the merger of TPCI and the Bank as property dividends. The property dividend declaration is pending regulatory approvals.

Except as described above, there has been no significant change in the indebtedness or capitalisation or contingent liabilities of the Bank since 31 December 2024.

INVESTMENT CONSIDERATIONS

Investors should carefully consider the following investment considerations as well as the other information contained in this Offering Circular prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of the Notes. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Bank or that the Bank currently deems immaterial may also impair the Bank's business operations.

Risks Relating to the Bank's Business

The Bank may not be able to successfully sustain its growth strategy.

Over the past three years, the Bank has experienced substantial growth, with its loan portfolio expanding by 9.9%, 7.0% and 13.6% in the years ended 31 December 2022, 2023 and 2024, respectively. The Bank's total assets reached ₱4.1 trillion as at 31 December 2022, the first local bank to exceed ₱4 trillion in terms of total resources, and as at 31 December 2024, the Bank was the largest domestic bank in the Philippines in terms of total resources, gross customer loans, total deposits, capital and total trust funds under management. Total resources of the Bank were at ₱4.1 trillion, ₱4.5 trillion and ₱4.9 trillion as at 31 December 2022, 2023 and 2024, respectively. As of 31 December 2024, the Bank is also the industry leader in terms of investment banking, private banking, rural banking, remittances, leasing and finance, insurance brokerage and credit cards. However, the Bank's strategy, which includes growing and diversifying its loan portfolio and expanding its range of products and services to better cater to the needs of its customers, is also dependent on a number of external factors.

In particular, the Bank may not be successful in relation to the introduction of new services and products. It is entering into new lines of business and expanding into new provincial areas in the Philippines in which it is likely to encounter significant competition from other banks already offering similar products and services being introduced. There can be no assurance that the Bank will be able to compete effectively against such existing banks. Furthermore, there may not be sufficient demand for such services and products, and they may not generate sufficient revenues relative to the costs associated with developing and introducing such services and products. Even if the Bank were able to introduce new products and services successfully, there can be no assurance that the Bank will be able to achieve its intended return on such investments.

The Bank also faces a number of operational risks in executing its growth strategy and in particular the Bank's potential acquisition plans. The Bank will have to train its employees (including employees absorbed from acquired entities), to adhere to and comply with new internal controls and risk management procedures. Failure to properly train and integrate employees, including employees from other banks that are acquired or merged or who join laterally, may increase employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase the Bank's exposure to high-risk credit, and impose significant costs on the Bank.

The Bank has some concentration of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As at 31 December 2024, the Bank's total exposure to borrowers (or gross loans to and receivables from customers) was ₱3.2 trillion. The ten largest borrower groups in aggregate accounted for 28.2% of the Bank's total exposure and its ten largest individual borrowers in aggregate accounted for 13.0% of its total exposure.

The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group, excluding Government-related entities, of connected persons in excess of 25% of its net worth (the single borrower limit). As at 31 December 2024, the Bank's single borrower limit was ₱151 billion. In determining whether the Bank meets the single borrower limit of the BSP, the Bank includes exposures to related accounts (including accounts of subsidiaries and parent companies of the borrower). The Bank's largest borrower as at 31 December 2024 accounted for 2.7% of the Bank's total exposure and 14.9% of the Bank's total equity. The largest borrower group as at 31 December 2024 accounted for 5.7% of the Bank's total exposure and for 31.8% of the Bank's total equity. Credit losses on these large single borrower and group exposures could adversely affect the business, financial position and results of operation of the Bank. See "The Philippine Banking Industry" and "Banking Supervision and Regulation".

The Bank extends loans to various sectors in the Philippines. The table below sets out the Bank's five largest industry exposures (receivables from customers gross of allowance for expected credit loss (ECL)) as at 31 December 2024.

Rank	Industry (based on the Philippine Standard Industrial Classification Code)	Amount (₱ millions)	per cent. of Total Exposure to Borrowers
1	Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	567,360	17.6
2	Real estate activities	410,256	12.7
3	Electricity, gas, steam and air conditioning supply	405,938	12.6
4	Wholesale and retail trade	397,620	12.3
5	Manufacturing	306,987	9.5
Total		2,088,161	64.7

The Bank's exposure to these five sectors, totaling ₱2.1 trillion, constituted 64.7% of the Bank's total receivables from customers gross of allowance for ECL as at 31 December 2024. Although the Bank's portfolio contains loans to a wide variety of businesses, financial difficulties in these industries could increase the level of non-performing loans (NPLs) and restructured assets, and adversely affect the Bank's business, financial position and results of operations.

The Bank may face increasing levels of non-performing loans (NPL) and provisioning expense for impairment of assets.

The Bank's results of operations have been, and continue to be, negatively affected by the level of its NPLs. For the years ended 31 December 2022, 2023 and 2024, the Bank's provisioning expense for impairment of assets amounted to ₱14.0 billion, ₱14.9 billion, and ₱17.0 billion, respectively, which represented 9.8%, 8.7%, and 9.1%, respectively, of net interest income in those periods, and 0.5%, 0.5%, and 0.5%, respectively, of gross loans in those periods. A slowdown in global growth momentum may adversely affect the ability of the Bank's borrowers to finance their indebtedness and, as a result, the Bank may experience an increase in NPLs and loan loss provisions.

The Bank's consolidated NPLs increased by 12.0% to ₱60.5 billion as at 31 December 2024 (representing 1.9% of the Bank's total gross customer loans net of interbank loans as at that date) from ₱54.0 billion as at 31 December 2023. As at 31 December 2022, 2023 and 2024, the Bank's NPL coverage ratio was 137.4%, 145.0% and 152.2%, respectively. The Bank has experienced significant growth in its loan portfolio in recent years and it may experience problems in non-payment arising from these new loans in the future. Any significant increase in the Bank's NPLs would have a material adverse effect on its financial condition, capital adequacy and results of operations.

Although the Bank believes that it has set aside adequate provisions and reflected current valuations as regards its investment portfolio and while financial markets have stabilised, there can be no assurance that the value of the Bank's investment portfolio will not deteriorate should renewed volatility in global financial markets occur.

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

In January 2017, the BSP amended the regulatory definitions of past due accounts, restructured loans and NPLs, and other related provisions under BSP Circular 941. The circular cites the conditions under which an account will be classified as NPL (i.e., meeting any of the following: considered impaired under existing accounting standards; classified as doubtful or loss; in litigation; full repayment of principal and interest is unlikely without foreclosure of collateral, if any; 91-days past due; and restructured). Banks were required to make the necessary revisions in their management information and reporting systems relating to past due loans and NPLs to comply with the requirements of the circular effective 1 January 2018.

Certain accounting standards have been adopted in the Philippines based on International Accounting Standards, which require the Bank's loan loss provisions to reflect the net present value of the cash flows of the loan and underlying collateral. These new accounting standards may result in the Bank recognising significantly higher provisions for loan loss in the future. The PFRS 9 ECL poses risk of variability of provisions due to the subjective nature of assumptions used and complexity of data requirements for the model forecasts as well as potentially unforeseen changes in macroeconomic and industry conditions.

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

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

As at 31 December 2024, the Bank's secured loans represented 17.7% of the Bank's total gross customer loans, and 74.0% of the collateral on these secured loans consisted of real estate properties. There can be no assurance that the collateral securing any particular loan will protect the Bank from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realised value of the collateral would be adequate to cover the Bank's loans. In addition, some of the valuations in respect of the Bank's collateral may also be out of date or may not accurately reflect the market value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that its loan loss provisions may be inadequate and the Bank may need to increase such provisions. Any increase in the Bank's loan loss provisions could adversely affect its business, financial position, results of operations and capital adequacy ratios.

Moreover, the Bank may not be able to recover the value of any collateral or enforce any guarantee due, in part, to the difficulties and delays involved in enforcing such obligations in the Philippine legal system. In order to foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, the Bank to legal liability while in possession of the collateral. These difficulties may significantly reduce the Bank's ability to realise the value of its collateral and therefore the effectiveness of taking security for the loans it makes. The Bank carries the value of the foreclosed properties at the lower of the bid price and the loan balance plus accrued interest at the time of such foreclosures. While the Bank at each reporting date marks to market its foreclosed properties in accordance with financial reporting standards in the Philippines (FRSP) for banks and BSP regulations, it may incur further expenses to maintain such properties. In realising cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realisation.

The Bank has a high exposure to the Philippine property and real estate market through its ROPA holdings.

The Bank has significant exposure to the Philippine property and real estate market due to the level of its holdings in Real and Other Properties Acquired (ROPA). ROPA generally refers to real estate assets the Bank has acquired as a result of foreclosures of real estate property which stand as collateral for real estate loans. When the Bank's collection efforts on its real estate loans are unsuccessful, the Bank is constrained to institute foreclosure proceedings against the collateral property, and subsequent to foreclosure, these real properties are consolidated in the Bank's name and booked as ROPA. The Philippine property market is highly cyclical, and property prices in general have been volatile. Property prices collapsed following the Asian financial crisis but recovered until the global financial crisis in 2008 restrained demand. However, property demand and prices have since recovered on favourable macroeconomic conditions, increasing home ownership in the Philippines, and strong demand from families of overseas Filipino workers (OFWs) as well as workers from the Information and Communication Technology (ICT) and Business Process Outsourcing (BPO) industries. Property prices are affected by a number of factors, including the supply of and demand for comparable properties, the rate of

economic growth in the Philippines and political and economic developments. Historically, the Bank has low home loan default rates compared to industry standards. As at 30 September 2024, BDO's home loan default rate was at 5.8%, compared to the average industry rate of 6.8%.

In 2024, the Bank sold ₱3.4 billion worth of acquired assets, and intends to continue with its strategy of gradually reducing ROPA levels. As a result, the Bank recorded net ROPA (which represents ROPA net of accumulated depreciation and allowance for impairment) of ₱13.1 billion as at 31 December 2024, representing 0.3% of the Bank's total resources. As at 31 December 2022 and 2023, the Bank's net ROPA amounted to ₱11.6 billion and ₱14.7 billion, respectively, representing 0.3% and 0.3% of the Bank's total resources as at such dates.

To the extent that property values decline in the future, there can be no assurance that the Bank will be able to sell off and recover the full estimated value of its ROPA. Furthermore, in an extended downturn in the property market, given the Bank's significant amount of ROPA it may take a number of years before the Bank is able to realise a significant part of the value of its ROPA. Accordingly, an extended downturn in the Philippine property sector could increase the level of the Bank's provisions set against its ROPA holdings, reduce the Bank's net income and, consequently, adversely affect the Bank's business, financial condition and results of operations generally.

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

The Bank plans to continue to expand its consumer loan operations. Such expansion plans will increase the Bank's exposure to consumer debt and vulnerability with respect to changes in general economic conditions affecting Philippine consumers. Accordingly, economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of the Bank's consumer loan and credit card portfolios. A rise in unemployment or an increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults and NPLs, and reduce demand for consumer loans.

The Bank may incur significant losses from its trading and investment activities due to market fluctuations and volatility.

The Bank's asset portfolio is comprised primarily of loans to customers and investments in securities held at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) securities and investment securities at amortized cost. As at 31 December 2024, the Bank's trading and investment securities portfolio was ₱876.1 billion.

The Bank's income from trading activities is subject to substantial volatility based on, among other things, changes in interest rates, foreign currency exchange rates and debt prices, as well as stock market fluctuations. For example, an increase in interest rates or downgrade of the credit ratings of some of the fixed income securities invested may have a substantial impact on the value of the Bank's investments in fixed income securities, which would negatively affect the Bank's results of operations.

The varying gains recognised by the Bank as a result of its trading of securities have caused the Bank's trading income to vary significantly from period to period. For the years ended 31 December 2022, 2023 and 2024, the Bank reported a net trading loss of ₱322 million, a net trading gain of ₱1,455 million and a net trading loss of ₱127 million, respectively. A slowdown in domestic or global growth may make it more difficult for the Bank to generate substantial gains from its trading activities.

The results of operations of the Bank's businesses may vary significantly from time to time.

As a consequence, in part, of the acquisitions the Bank has made prior to 2020, and the varying levels of provisions it has made in respect of NPLs, ROPA, pension liabilities, impairment in the value of investments and other developments, the Bank's results of operations have varied from period to period in the past and may fluctuate significantly in the future due to these and other factors.

The Bank's results of operations may be adversely affected if the assumptions used to determine the cost of retirement benefits under the Bank's retirement plans change.

The Bank has a funded non-contributory retirement plan covering substantially all of its qualified employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. As at 31 December 2024, the fair value of the retirement plan assets of the Bank was ₱71.0 billion and the present value of the obligation was at ₱63.8 billion. After expenses and contributions made relative to the Bank's retirement fund, the Bank recognised a retirement benefit asset of ₱6.7 billion as at 31 December 2024.

The principal actuarial assumptions used by the Bank to determine the cost of retirement benefits include a discount rate of 6.04% to 6.13% and a salary increase of 1.00% to 13.00% per annum, compounded annually. If these assumptions prove to be incorrect, the Bank's funding obligations in respect of its retirement plans may be significantly higher than currently anticipated. The Bank regularly reviews its assumptions and methodology and takes appropriate actions to ensure that the retirement plan assets meet actuarial requirements. Any change in methodology or assumptions affects the amount that the Bank amortises each year in respect of its retirement fund liabilities, which would adversely affect the Bank's net income.

The Bank's recent and potential acquisitions may represent a risk if not managed effectively, and expected synergies may not be realized.

The Bank completed several acquisitions in 2014 and 2015, including acquiring Citibank Savings in March 2014, the trust business of Deutsche Bank in June 2014, Real Bank in August 2014 and One Network Bank, Inc. (**ONB**, renamed BDO Network Bank, Inc. (**BDO Network**)) in July 2015. On 9 June 2015, the Bank announced that it concluded an agreement to terminate the joint venture vehicle Generali Pilipinas Holdings Company Inc. (**GPHC**), the parent firm of life insurer Generali Pilipinas Life Assurance Company (**GPLAC**) and non-life insurer Generali Pilipinas Insurance Company (**GPIC**). On 30 June 2016, the Bank secured final regulatory approval to acquire full interest in GPHC. GPHC and GPLAC were thereafter renamed BDO Life Assurance Holdings Corp. (**BDO Life**), and BDO Life Assurance Company, Inc., respectively.

On 14 June 2016, the Bank announced the acquisition of SB Cards Corp.'s (**SB Cards**) exclusive rights as issuer and acquirer of Diners Club International credit cards in the Philippines. The acquisition, which includes SB Cards' existing Diners Club portfolio and its cardholder base, was completed on 30 September 2016.

On 11 February 2019, the Bank disclosed that its subsidiary, BDO Network, had signed an agreement with Rural Bank of Pandi Inc. (**RBPI**) for the acquisition of RBPI's banking business in Bulacan. On 31 October 2019, BDO Network completed its purchase of the recorded gross loan receivables and assumption of the recorded deposit liabilities of RBPI.

On 26 November 2020, the Bank announced the completion of the buyout of Nomura's ownership in BDO Nomura following an announcement last 23 June 2020 terminating their joint venture arrangement. BDO Capital acquired Nomura's 49% stake in BDO Nomura. BDO Nomura was merged with BDO Securities with the latter as the surviving entity. BDO Securities was reorganized into a full-service brokerage firm with an expanded product offering to include non-equity securities.

On 27 December 2023, the Bank announced the completion of the buyout of Keppel Philippines Properties, Inc. and Opon-Ke Properties, Inc (the **Keppel Group**) ownership in SM Keppel Land, Inc. (later renamed to The Podium Complex, Inc.) (**TPCI**) following an announcement last 27 March 2023 of the Keppel Group's decision to divest its stake in TPCI. TPCI was merged with the Bank effective 1 December 2024.

While the Bank believes these acquisitions complement the Bank's existing business lines and will provide opportunities to seize new market opportunities in line with the Bank's goal to maximise long-term shareholder value, there are a number of risks inherent in any merger/acquisition process. These include risks that:

- The expected cost savings or revenue enhancing opportunities cannot be realised in the amounts or within the time frames contemplated;
- The extraordinary expenses, costs or difficulties relating to the integration of the businesses and information management systems are greater than expected;
- The existing customer and employee relationships are adversely affected, which may cause, among others, potential deposit attrition from target entity customers; and
- The integration difficulties or other factors relating to the rationalisation of the business cause

unexpected business interruption.

Moreover, the Bank continually examines opportunities for acquisitions in the future as a means of accelerating growth or expanding its market coverage. Any future mergers or acquisitions will also subject the Bank to risks such as the deterioration of asset quality, the diversion of management's attention required to integrate the acquired business, failure to retain key acquired personnel and clients, leverage synergies, rationalise operations, or develop the skills required for new businesses and markets, some or all of which could have an adverse effect on its business. Further, while the Bank believes that the transaction agreements relating to its mergers or acquisitions contain provisions that protect the Bank against unknown and known liabilities, there can be no assurance that the Bank will not be subject to such liabilities in the future.

Accordingly, no assurance can be given that the Bank's recent, contemplated or potential mergers or acquisitions will result in the benefits to its business anticipated by the Bank or that the balance of the integration process will not adversely affect the Bank's existing operations or financial condition.

The Bank is affiliated with one shareholder group, with which it has extensive financial and business connections.

As at 31 December 2024, SM Investments Corporation (SMIC) directly owned approximately 40.7% of the Bank's common shares. Multi Realty Development Corporation, Sybase Equity Investments Corporation and SM Prime Holdings (formerly SM Land), companies affiliated with SMIC and its controlling shareholders (the **SM Group**), held 6.6%, 5.4% and 2.0%, respectively, of the Bank's issued common shares. There can be no assurance that the interests of the SM Group will necessarily coincide with the interests of the Bank and the Bank's other Shareholders. See "Management".

The Bank has historically had close business relationships with the SM Group, and as at 31 December 2024, the Bank's loans to the SM Group amounted to ₱9.8 billion, or 0.3% of the Bank's total loan portfolio (including secured non-risk loans not subject to the BSP's single borrower's limit), which is below the BSP's single borrower limit for related party transactions. The Bank's loans to the SM Group are on commercial, arm's length terms. While the Bank is not dependent on the SM Group for any funding, financial guarantees, or other forms of financial support, any default by the SM Group on such loans from the Bank, or failure by the SM Group to make timely payments of amounts due under such loans, could have a material adverse effect on the Bank's financial condition and results of operation. Furthermore, the Bank benefits from its relationship with the SM Group through certain business synergies, including access to SM clients and prospective clients, joint product development and branch or ATM locations in SM malls. As a result, deterioration in the financial condition of the SM Group could have a material adverse effect on the Bank's financial condition and business opportunities.

In addition, if there is any public perception in the Philippines that the Bank is reliant on the financial condition of the SM Group, there could be a loss of confidence in the Bank's solvency among its depositors or creditors in the event of deterioration in the financial condition of the SM Group. In particular, this could result in withdrawals of deposits or decrease in new deposits beyond levels anticipated by the Bank, or otherwise have a material adverse effect on the Bank's financial condition and results of operation.

If the Bank fails to maintain desired levels of customer deposits, its business operations may be materially and adversely affected.

Customer deposits are the Bank's primary source of funding and the Bank intends to continue expansion of its deposit base, particularly low-cost sources such as demand and savings (CASA) deposits to help fund its future loan growth. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return or increase their deposits in trust accounts, while small, mid-market and large corporate customers may reduce their deposits in order to fund projects in a favourable economic environment, or the Bank may need to increase the rates it offers to its customers to minimise deposit outflows, which would have an adverse impact on the Bank's cost of funding. If the Bank fails to maintain its desired level of deposits, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such an event, the Bank may need to seek more expensive sources of funding (including external sources), and it is uncertain whether the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions or severe disruptions in the financial markets.

The Bank may fail to upgrade or effectively operate its information and technology (IT) systems.

The Bank's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume and at a time of increased disruption to the financial services sector from the emergence of financial technology firms. The proper functioning of the Bank's financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting the Bank's various branches and offices is critical to its business and its ability to compete effectively. The Bank employs a core banking system with centralised database to support its domestic and international business operations. The core banking system is linked to the Bank's electronic channels including ATMs, internet banking, and mobile banking, which provides online real-time transaction processing. The data on the Bank's core banking system, centralised database and electronic channels are protected with real-time backup and replication infrastructure. Any failure in the Bank's systems or to implement new systems, particularly for retail products and banking transactions could have a negative effect on its business, financial condition and results of operations.

The Bank's failure to manage risks associated with its IT systems could adversely affect its business.

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

As the Bank increases its digital capabilities, its business and internal systems have, and will increasingly rely on software and processes that are highly technical and complex. In addition, the Bank's digitisation capabilities will depend on the ability of such software and processes to store, retrieve, process and manage large amounts of data. The software and processes on which the Bank relies may now or in the future contain, undetected errors or bugs.

The Bank seeks to protect its computer systems and network infrastructure from physical break-ins as well as cybersecurity breaches and other disruptive problems caused by the Bank's increased use of mobile apps and digital solutions. The Bank also has access to and analyses certain data from its customers with their authorisation, which makes it an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. Computer break-ins and security breaches could affect the confidence, integrity and availability of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs IT security solutions such as firewalls data encryption and multifactor authentication, designed to minimise the risk of security breaches and maintains operational procedures to prevent break-ins, damage and failures. The potential for fraud and security problems is likely to persist and there can be no assurance that these security measures will be adequate or successful in view of the dynamic and evolving transformation of cybercrimes. Further, as techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, the Bank may be unable to anticipate these techniques or to implement adequate preventative measures. The Bank has incurred and will continue to incur expenses and costs related to such security measures, such as the engagement of external cyber security partners to conduct vulnerability testing and compromise assessments, and the hiring of skilled IT personnel. The failure of the Bank to successfully implement security measures or prevent any security breaches could have a material adverse effect on the Bank's business, financial condition and results of operations as well as the reputation of the Bank.

For example, on 11 December 2021, there were reports of unauthorized transactions in certain BDO accounts. The Bank immediately responded to the fraud incident by implementing additional security controls to block further attempts from fraudsters and protect clients' bank credentials. At the same time, the Bank began processing the reimbursement of affected clients. On 20 May 2022, the Bank disclosed that the related examination by the BSP has been completed and that there are no monetary sanctions imposed by the BSP on this matter. There is no assurance that similar incidents will not happen in the future, or that penalties (whether monetary or operational) or restrictions are not imposed on the Bank, or that the Bank will not be liable to any

customer or third party for any damages in relation to such incidents, or that the Bank's reputation and brand will not be materially and adversely affected by similar incidents. All of these could materially and adversely affect the Bank's business, financial condition, and results of operation.

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

To the extent any of the instruments or strategies used by the Bank to manage its exposure to market or credit risk proves ineffective, the Bank may not be able to effectively mitigate its risk exposures, in particular to market environments or against particular types of risk. The Bank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitise, sell, purchase or syndicate particular loans or loan portfolios and availability of liquid funding sources with which to originate lending activities. The Bank's trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the values of financial instruments caused by changes in market prices or rates. The Bank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its loan loss provisions. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, the Bank could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing the Bank's liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by the Bank to effectively manage its credit, market and liquidity risks could have an adverse effect on its business, financial position, results of operations, and capital adequacy ratios.

The Bank is subject to interest rate risk.

The Bank realises income from the margin between interest-earning assets (due from BSP on balances above the minimum reserve requirement, due from other banks, interbank loans receivable and securities purchased under resale agreement with BSP, investment securities and loans and receivables), and interest paid on interest-bearing liabilities (deposit liabilities, bills payable and subordinated debt, and other forms of borrowings). The business of the Bank is subject to fluctuations in market interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are neither predictable nor controllable and may have a material adverse impact on the operations and financial condition of the Bank. In a rising interest rate environment, if the Bank is not able to pass along higher interest costs to its customers, it may negatively affect the Bank's profitability. If such increased costs are passed along to customers, such increased rates may make loans less attractive to potential customers and result in a reduction in customer volume and hence operating revenues. In a decreasing interest rate environment, potential competitors may find it easier to enter the markets in which the Bank operates and to benefit from wider spreads. As a result, fluctuations in interest rates could have an adverse effect on the Bank's margins and volumes and in turn adversely affect the Bank's business, financial condition and results of operations.

The Bank is subject to foreign exchange risk.

As a financial organisation, the Bank is exposed to foreign exchange risk. Movements in foreign exchange rates could adversely affect the Bank's business, financial condition and results of operations. The foreign exchange transactions of Philippine banks are subject to stringent BSP regulation. Under BSP guidelines, the Bank is required to provide 100.0% foreign asset cover for all foreign currency liabilities in its Foreign Currency Deposit Unit (FCDU) books. As at 31 December 2024, the Bank had U.S.\$9.9 billion of foreign assets and U.S.\$9.9 billion of foreign currency liabilities in its FCDU books, primarily in U.S. dollars. The decline in the value of the Peso against foreign currencies, in particular, the U.S. dollar may affect the ability of the Bank's customers or the Government to service debt obligations denominated in foreign currencies and, consequently, increase NPLs. Conversely, increases in the value of the Peso can depress the export market which can negatively affect the ability of the Bank's customers to repay their debt obligations or may reduce credit quality or demand. There can be no assurance that the Peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an adverse effect on the Bank.

Failure to meet the Government's mandatory exposure to agricultural, fisheries, and rural sectors could adversely affect the Bank's business, financial position and results of operations.

In 2022, Republic Act No. 11901, otherwise known as "The Agriculture, Fisheries, and Rural Development Financing Enhancement Act of 2022 (AFRD)" was passed into law and revised the implementation

of the Government's priority lending to the agricultural, fisheries, and rural sectors. The AFRD provided additional modes of compliance which banking institutions can avail when fulfilling the legal requirement of setting aside 25% of their total loanable funds for AFRD financing. Failure to meet the specified level of compliance may result in fines being imposed against a non-compliant bank.

The Parent Bank has been able to meet and exceed the required exposure under the AFRD. As at 31 December 2024, the Parent Bank's required AFRD financing was ₱87.2 billion and its total compliance reached ₱307.4 billion. The Bank's actual compliance level amounted to ₱327.8 billion, against a regulatory minimum exposure of ₱92.9 billion. The Bank's continued positive compliance to the AFRD requirement will largely depend on the commensurate growth of eligible loans and investments as against its total loanable funds, as defined in the AFRD.

A downgrade of the Bank's credit rating could have a negative effect on its business, financial position and results of operations.

Rating agencies from time to time review prior corporate and specific transaction ratings in light of changes in ratings. In the event of a downgrade of the Bank by one or more credit rating agencies, the Bank may have to accept terms that are not as favourable in its transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions. This could have a negative impact on the Bank's treasury operations and also adversely affect its financial position and results of operations. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies may also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. In March 2024, Moody's affirmed the Bank's Long-Term Bank Deposits Rating of Baa2 and Baseline Credit Assessment Rating of baa2 as well as retained its outlook at stable, on account of the Bank's stabilizing asset quality, strong capital and adequate profitability. In March 2025, Fitch affirmed the Bank's credit rating of BBB- with a stable outlook.

However, any reduction in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce the Bank's liquidity and negatively impact its operating results and financial position.

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

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

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

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

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

The Bank is and may in the future be, implicated in lawsuits on an ongoing basis. Litigation could result in substantial costs to, and a diversion of effort by, the Bank or subject the Bank to significant liabilities to third parties.

There can be no assurance that the results of legal proceedings in which the Bank is involved will not materially harm the Bank's business, reputation or standing in the marketplace or that the Bank will be able to recover any losses incurred from third parties, regardless of whether the Bank is at fault. Further, there can be no assurance that: (i) losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of bank insurance, or that any such losses would not have a material adverse effect on the results of the Bank's business, financial position or results of operation, or (ii) provisions made for litigation related losses will be sufficient to cover the Bank's ultimate loss or expenditure.

The Bank has previously been involved in litigation relating to the use of its brand name and related intellectual property rights, and any future dispute over these rights could adversely affect the Bank.

The Bank has, in the past, been involved in litigation relating to the use of its brand name and related intellectual property rights.

If other parties bring suit and are successful against the Bank in preventing it from using its brand names and related intellectual property rights, the Bank may be forced to cease using the name "BDO" and other trademarks or property rights, which would adversely impact the Bank's ability to market its product offerings. Alternatively, if other parties sell products that use counterfeit versions of the Bank's brands or otherwise look like the Bank's brands, consumers may confuse the Bank's products with products that they consider inferior. This could cause consumers to refrain from utilising the Bank's services and purchasing the Bank's products in the future and adversely affect the Bank's brand image and revenues. It cannot be assured that the Banks will be successful either in defending suits against it for trademark infringement or related litigation, or in seeking to prevent others from using counterfeit versions of its brands. Any failure by the Bank to protect its proprietary rights could have an adverse effect on the Bank's competitive position, business, results of operations and prospects.

Risks Relating to the Philippine Banking Industry

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

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas at the world. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into emerging markets including the Philippines, as well as the price of the Common Shares.

For example, on 31 January 2020, the UK withdrew from the EU. On 24 December 2020, a trade agreement was concluded between the EU and the United Kingdom (**EU-UK Trade and Cooperation Agreement**), and it applied provisionally since the end of the transition period ending on 31 December 2020. The EU-UK Trade and Cooperation Agreement has been ratified by the UK Parliament, the European Parliament and the Council of the European Union and entered into force on 1 May 2021. If certain other states within the Eurozone were to exit the European Union, or following the occurrence of such other reform as contemplated herein, such countries may not be able to meet their existing debt obligations or may default on these obligations, which could have a ripple effect across sovereign states and the private sector in Europe and the rest of the world and possibly lead to a global economic crisis. Any changes to the euro currency could also cause substantial currency readjustments across Europe and other parts of the world, further exacerbating the credit crisis. These events and uncertainties could adversely impact the Bank's business, financial condition and results of operations.

In addition, volatile conditions across major economies and the policy environment persist, including inflationary pressures in certain major economies, with the US increasing and maintaining interest rates to reduce inflation, the imposition of tariffs by the US and retaliatory tariffs by other nations, the "trade war" between the US and China, protracted economic slowdown in China, the Russo-Ukrainian War, and the conflict between Israel and Palestine in Gaza.

In particular, in March and April 2025, the US imposed "retaliatory tariffs" on exports from nearly every other nation and jurisdiction in the world, which has prompted other jurisdictions and major economies such as the European Union, Canada, and China to retaliate with tariffs on US exports. The imposition of tariffs and escalating trade war has severely shocked equity and commodity markets and increased volatility to levels not

seen since the global financial crisis in 2008 or the beginning of the COVID-19 pandemic in 2020. As a result of the imposition of tariffs, based on news reports, certain economists and banks have predicted a major slowdown in US and global growth and an increased probability of a recession in the near term. As of 10 April 2025, the US had imposed tariffs of over 100% on China, and China has imposed tariffs of over 80% on certain US exports.

Further, the implementation of US tariffs has been unpredictable at times, with President Trump's administration threatening to impose additional tariffs on certain sectors such as pharmaceutical products and semiconductors, or pausing or deferring the effective date of tariffs, or announcing different goals to be achieved by the tariffs (e.g., eliminating trade deficit or bringing back manufacturing or creating jobs, etc.) The uncertainty in the US tariff policy and implementation has jolted and severely increased volatility and uncertainty in the equity and debt markets.

The Philippines is one of the jurisdictions subject to US tariffs. Although the tariff of 17% imposed by the US on exports from the Philippines is lower than other Southeast Asian nations (other than Singapore) and the Philippine government has announced that it is willing to negotiate tariffs with the US and/or open to cut tariffs on imports from the US, there is no assurance that such actions will be able to abet or mitigate any negative or long-term effects of the raised tariffs on the Philippine economy or the potential reduction in US consumption or demand for Philippine exports.

There can be no assurance that the uncertainties affecting global markets, including the US tariff policy or escalating trade war between the US and other countries, will not add to further negative impact on credit markets in Asia, including in the Philippines. The success of the Bank's banking business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services. These developments may adversely affect trade volumes with potentially negative effects on the Philippines.

Changes to regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP, the Bureau of Internal Revenue (the BIR) and international bodies, including the Financial Action Task Force (the FATF) may have an adverse impact on the Bank.

The Bank is regulated principally by, and has reporting obligations to, the BSP. The Bank is also subject to the banking, corporate, taxation and other laws in effect in the Philippines. The regulatory and legal framework governing the Bank differs in certain material respects from that in effect in other countries and may continue to change as the Philippine economy and commercial and financial markets evolve. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the reserve requirements of Philippine banks and the banking industry's exposure to the real estate sector.

For example, while the Philippines enacted Republic Act No. 9160, or the Anti-Money Laundering Act of 2001 (the **Anti-Money Laundering Act** or **AMLA**) to introduce more stringent anti-money laundering regulations, these regulations did not initially comply with the standards set by the FATF. However, following pressure from the FATF, an amendment to the Anti-Money Laundering Act, Republic Act No. 9194, became effective on 23 March 2003. In January 2005, the Philippines was removed from the list of Non-Cooperative Countries and Territories (**NCCTs**), confirming that AMLA measures to remedy deficiencies that were originally identified by the FATF were in place. AML systems (including strict customer identification, suspicious transaction reporting, bank examinations, and legal capacities to investigate and prosecute money laundering) were all identified to be of a satisfactory nature. In June 2012, President Benigno S. Aquino III signed into law Republic Act No. 10167, which added two measures intended to further strengthen the country's campaign against money laundering. These measures included criminalising terrorist financing activities as well as allowing the Government, upon determination of probable cause, to examine bank accounts or investments *ex parte*, or without informing the account holder concerned. The enactment of these measures resulted in the Philippines being upgraded by the FATF to the anti-money laundering compliance "gray list", signifying sufficient progress in the country's campaign against money laundering and terrorist financing. There can be no assurance however, that current Philippine AML systems will continue to be effective against money laundering and similar transactions, as shown by the recent incident involving a large Philippine universal bank in an international money laundering

case. Any deficiencies or lapses, whether minor or material, in such systems could result in sanctions against Philippine banks, including the Bank, and other financial institutions or persons included in the web of transfers and currency conversions, which could adversely affect its reputation, business and operations or cause it to be in breach of its contractual obligations.

On 15 February 2013, then President Aquino signed into law Republic Act No. 10365, which expanded the AMLA covered institutions and crimes. This law took effect on 7 March 2013 and required jewelry dealers to report transactions worth ₱1 million and above. The law also requires the Philippine Land Registration Authority to submit to the Anti-Money Laundering Council (AMLC) reports covering real estate purchases worth ₱500,000 and above. Aside from this, predicate crimes – or those criminal acts where the law may also be applied if money is involved – were also expanded to cover 20 additional offenses or crimes, including bribery, extortion, malversation of public funds, fraud and financing of terrorism

The controversy involving the U.S.\$81 million theft involving the Bangladesh central bank account in 2016 prompted Philippine legislators and agencies, such as the Department of Finance and the BSP, to propose further amendments to the AMLA. On 15 March 2017, BSP issued Circular 950 Series of 2017 containing the amendments approved by the Monetary Board to the Anti-Money Laundering-Combating the Financing of Terrorism (AML/CFT) regulations. The changes reflected the amendments to the AMLA that took effect in January 2017 as well as the recommendations from the FATF and added the requirements for group-wide AML compliance function and monitoring systems are incorporated for a holistic management and prevention of money laundering and terrorist financing risks.

On 14 July 2017, President Rodrigo Duterte signed into law Republic Act No. 10927 which further amended the AMLA to include casinos in the coverage of the law. The amendments categorise any single casino cash transaction of more than ₱5 million, or its equivalent in other currencies, as a “covered transaction” which must be reported to the AMLC, and also grants authority to the Philippine Court of Appeals, upon verified petition by AMLC and after determination of existence of probable cause, to issue a 20-day freeze order against any monetary instrument or property linked to unlawful activities as those defined and enumerated under the AMLA.

On 25 June 2021, the FATF released its grey list of countries that will be subjected to increased monitoring to prove their progress as they address strategic deficiencies in their regimes against money laundering, terrorist financing, and proliferation financing. With its inclusion in the grey list, the Philippines needs to implement the eighteen (18) action items required within the prescribed timelines to ensure the country’s removal from such list. Progress reports must likewise be submitted to the FATF thrice a year. The AMLC emphasized, however, that the Philippines will not yet be subjected to countermeasures. It is only when a country fails to meet the deadlines that the FATF will call on countries to impose countermeasures against it. In January 2023, the BSP communicated that the Philippines had missed the first deadline on the same month but had similarly disclosed that the country was given another year, or until January 2024, to meet the requirements in order to facilitate its exit from the grey list. In February 2025, the Philippines was taken off the grey list of the FATF.

There can be no assurance however, that current Philippine AML systems will continue to be effective against money laundering and similar transactions, as shown by the U.S.\$81 million theft involving the Bangladesh central bank account in 2016. Any deficiencies or lapses, whether minor or material, in such systems could result in sanctions against Philippine banks, including the Bank, and other financial institutions or persons included in the web of transfers and currency conversions, which could adversely affect its reputation, business and operations or cause it to be in breach of its contractual obligations.

In April 2012, the BSP implemented Circular No. 753 (Circular **753**), which provided for the unification of the statutory/legal and liquidity reserve requirements applicable to banks, the exclusion of vault cash as eligible forms of reserve requirement compliance, and the reduction in the unified reserve requirement ratios (e.g., from 21% to 18% for universal commercial banks). Circular 753 also terminated the interest on reserve deposits placed with the BSP. In its meeting in May 2019, the Monetary Board of the BSP decided to reduce the reserve requirements by 200 basis points given the continued downtrend in inflation and to help mitigate any tightness in domestic liquidity conditions. The adjustments in the reserve requirements were implemented on a staggered basis as follows: 100 basis points on 31 May 2019; 50 basis points on 28 June 2019, and 50 basis points to 16% on 26 July 2019. The BSP has further announced rate cuts since such date, and has reduced the reserve requirement for universal and commercial banks to 5.0% as of 28 March 2025.

To better monitor the banking industry's exposure to the property sector, the BSP issued Circular no. 600 in 2008 approved the guidelines that effectively widened the scope of banks' real estate exposures (**REE**) to include mortgages and loans extended to the following: individuals to finance the acquisition or construction of residential real estate for own-occupancy as well as land developers and construction companies for the development of socialised and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included. In 2012, the BSP issued Memorandum No. M-2012-046, on the expanded report on real estate exposures, designed to measure and monitor the aggregate exposure of the banking system to the real estate market. Further, in 2017, the BSP issued Circular No. 976 which requires banks to report granular information on their real estate loans to mid- and high-end housing units, in addition to socialized and low-cost housing. Under the new reporting rules, covered banks are also required to report commercial real estate loans as to the underlying commercial project being financed such as residential units, office buildings, malls and factory/plant facilities. Universal and commercial banks shall also be required to submit a new Report on Project Finance Exposures which shall include information in terms of type of infrastructure project and project phase. Circular 976 also clarified the definitions of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate limits as provided under BSP Circular 600, the expanded definition of REE, and the Real Estate Stress Test limits. As these guidelines are for monitoring purposes only, banks shall continue to comply with the 20% adjusted REE limit. There is no guarantee, however, that the BSP will not enforce further tightening of REE limits in the future to head off potential asset bubbles.

In May 2013, the BSP released Circular No. 794, on new guidelines governing its Special Deposit Account (**SDA**) facility limiting SDA access by trust departments/entities to fund management activities of trust accounts effective 1 January 2014 and banning other fiduciary business including agency accounts and investment management activities access to the SDA facility. The new rules likewise required banks to wind down all SDA placements not consistent with the BSP memorandum by at least 30% by 31 July 2013, until these were eventually phased out by on 30 November 2013. In addition, the BSP intermittently reduced SDA rates by a total of 150 basis points in 2013 to 2.0%. Further, the participation of Unit Investment Trust Funds (**UITFs**) in SDA facilities was gradually wound down, i.e., 50% in December 2016, 30% in March 2017 and fully terminated in June 2017 in line with the BSP's adoption of the interest rate corridor (**IRC**).

In 5 July 2016, the BSP implemented the IRC which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the SDA prior to the IRC, is now replaced by the overnight deposit facility (**ODF**), and forms the lower bound of the IRC. Meanwhile, the overnight lending facility (**OLF**) replaced the repurchase facility (**RP**). The BSP likewise introduced the Term Deposit Facility (**TDF**) to serve as the main tool for absorbing liquidity through weekly TDF auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts. According to the BSP, the changes from IRC were purely operational in nature to allow it to conduct monetary policy effectively. The ODF and OLF currently stand at 5.25% and 6.25%.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016, amending the prudential policy on loans, other credit accommodations, and guarantees granted to directors, officers, stockholders and their related interests (**DOSRI**), subsidiaries and affiliates. The circular raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan/Public Investment Program (**PDP/PIP**) needed to support economic growth; in particular, exposures to subsidiaries and affiliates in PDP/PIP projects were increased to individual and unsecured limits of 25% (instead of 10%) and 12.5% (instead of 5%) of the net worth of the lending bank, respectively, subject to certain conditions. Furthermore, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amended the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to affiliates. The circular further excludes loans granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase.

Philippine banks also face the threat of being assessed for documentary stamp tax upon their issue of passbooks for higher interest rate deposits. The Philippine Supreme Court has held that special savings accounts granting a higher tax rate to depositors who are able to maintain the required minimum deposit balance for the specified holding period, and evidenced by a passbook, are certificates of deposit bearing interest and thus subject to documentary stamp tax.

On 23 June 2023 and 29 June 2023, the BSP issued Circular No. 1175 and Circular No. 1176, respectively, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local

currency of banks, with effect from reserve week of 30 June 2023 for universal and commercial banks, to 9.5% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks, and Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank).

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

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

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

The recent mergers and consolidations in the banking industry, as well as the liberalisation of foreign ownership regulations in banks, have allowed the emergence of foreign and bigger local banks in the market. For example, there has been increased foreign bank participation in the Philippines following the Monetary Board's lifting of the ban on granting of new licenses, as well as the amendment of banking laws with respect to the limit on the number of foreign banks. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank, United Overseas Bank, First Commercial Bank of Taiwan, Hua Nan Commercial Bank, Ltd. and Chang Hwa Commercial Bank being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. In addition, the establishment of the ASEAN Economic Community in 2015 may enhance cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations. This is expected to increase the level of competition both from Philippine banks and branches of international banks. This may impact the Philippine banks' operating margins, but this would also enhance the industry's overall efficiency, business opportunities and service delivery. As at 31 December 2024 according to data from the BSP, there were a total of 44 domestic and foreign universal and commercial banks operating in the Philippines including the three government banks.

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

- other large Philippine banks and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- full entry of foreign banks in the country through any of the following modes allowed under Republic Act No. 10641 (approved on 15 July 2014): (a) the acquisition, purchase or ownership of up to 100% of the voting stock of an existing bank; (b) investment of up to 100% of the voting stock in a new banking subsidiary incorporated under Philippine law; or (c) establishment of branches with full banking authority;
- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources, and in some cases resulting in excess capital that can be leveraged for asset growth and market share gains;
- continued consolidation and increased mergers and acquisitions in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions;
- the emergence of financial technology, or new technology that seeks to improve and automate the delivery and use of financial services (**FinTech**), including businesses such as an all-digital bank formed by CIMB and ING Direct; recently-approved digital bank licenses given to UNObank, Overseas Filipino Bank (**OFBank**), Tonik Digital Bank, Union Digital Bank, GOTyme, and Maya Bank; mobile payment tools or e-wallet applications such as GCash and PayMaya and the growing popularity of peer-to-peer lending through digital platforms; and

- as banks venture into micro-finance and other consumer financing products, other consumer-focused players, including informal lenders.

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

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

A significant portion of the Bank's assets consists of, and a significant portion of its revenue is derived from, assets that are monetary in nature. Although the Bank engages only in limited trading activities through positions in fixed income instruments and, to some extent, in financial derivative instruments, which are mostly to facilitate other banking services to its customers, these assets are subject to the normal risks associated with investing activities, including the risk that a change in market prices, rates, indices, volatility, correlations, liquidity or other factors may result in losses for a specific position or portfolio. There is no assurance that interest rates in the Philippines will not increase in the future, including in response to inflationary pressures resulting from strong economic growth, tax reforms, geopolitical conflict, and global developments. Any new shocks to prices of some key commodities may shift BSP's policy decision and may cause the Monetary Board to increase policy rates to ensure price stability.

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

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

Philippine banks are generally exposed to higher credit risks and greater market volatility than banks in more developed countries.

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

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

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In

addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations. According to data from the BSP, the average NPL ratios exclusive of interbank loans in the Philippine banking system were 3.3%, 3.3%, and 3.27% as at the years ended 31 December 2022, 2023 and 2024, respectively.

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

Although the Philippine banking sector has generally recovered from past regional and global economic crises, the Philippine banking industry may face significant financial and operating challenges. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank net interest margins, low loan growth and potential or actual under-capitalization of the banking system. Fresh disruptions in the Philippine financial sector, or general economic conditions in the Philippines, in Asia or globally, may cause the Philippine banking sector in general, and the Bank in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

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

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

Philippine banks face regulatory pressure to comply with new and stricter capital standards, liquidity and leverage standards, as well as meet prudential limits for real estate exposures.

The BSP Monetary Board approved major revisions to the country's risk-based capital adequacy framework on 1 July 2007, to align the current framework with the Basel II standards as issued by the Basel Committee on Banking Supervision (BCBS), which is an international committee of banking supervisory authorities. Basel II standards make regulatory capital requirements more risk sensitive and reflective of all, or at least most, of the risks financial institutions are exposed to. In terms of minimum capital requirements, Basel II standards include the addition of specific capital requirements for credit derivatives, securitisation exposures, counterparty risk in the trading book, and operational risk.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. The revised standards also distinguish further (i) Tier 1 capital, which is also referred to as Going-Concern Capital, and is composed of Common Equity and Additional Tier 1 capital; and (ii) Tier 2 capital, which is also referred to as Gone-Concern capital and establish new eligibility criteria for such capital instruments previously not implemented in regulatory capital instruments.

In response to Basel III, the BSP and Monetary Board imposed a number of new requirements, including a capital surcharge to banks deemed as Domestic Systemically Important Banks (D-SIB), with compliance to be phased in starting from January 2017, as well as increased minimum capital requirements for banks in all categories and new liquidity requirements for local banks such as the LCR and the Net Stable Funding Ratio (NSFR). In March 2016, the Monetary Board announced that it had approved the LCR framework which requires universal and commercial banks to hold sufficient High Quality Liquid Assets (HQLAs) that can be easily

converted into cash to service liquidity requirements over a 30-day stress period. The approval of the LCR framework by the Monetary Board provides for an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. Banks are required to publicly disclose information related to the LCR on solo and consolidated bases beginning 1 January 2019. This is required to be disclosed in single currency, to be published in the quarterly published balance sheet, as well as in the annual reports or published financial reports.

In January 2018, the Monetary Board approved the adoption of a minimum leverage ratio requirement for universal banks, commercial banks and their subsidiary banks and quasi-banks. Beginning on 1 July 2018, covered institutions must maintain a leverage ratio of no lower than 5%. The leverage ratio is a non-risk based measure, which serves as a backstop to the capital adequacy ratio (**CAR**). The BSP introduced the leverage ratio framework in June 2015, under Circular No. 881 with the implementation limited to monitoring purposes. With the Monetary Board's recent decision, the leverage ratio will form part of Basel III minimum capital requirements, along with the 6% common equity tier 1 (**CET1**) ratio, 7.5% tier 1 (**Tier 1**) ratio and the 10% CAR.

On 6 June 2018, the BSP issued Circular No. 1007, which imposed a NSFR framework on all universal and commercial banks, including subsidiary banks and quasi-banks, on both solo and consolidated basis. The NSFR Framework seeks to limit overreliance on short-term wholesale funding and to promote enhanced assessment of funding risk across all on- and off- balance sheet accounts. Said covered entities are required to maintain an NSFR of at least 100% at all times. The BSP issued the implementing guidelines, template and details on the submission of the NSFR report, with an observation period that ran from 1 July 2018 to 31 December 2018. Actual implementation began on 1 January 2019. Covered banks are required to submit an NSFR report, monthly on a solo basis, and quarterly on a consolidated basis, accompanied by a certification on compliance with the NSFR requirement for all calendar days.

In December 2018, the Monetary Board approved the Philippine adoption of the Basel III countercyclical buffer (**CCyB**), completing the BSP's implementation of international standards for banks in terms of capital. The BSP under Circular No. 1024 initially set the CCyB at 0%, citing that the ongoing buildup of credit does not pose an imminent risk. The CCyB is subject to upward adjustment to a rate determined by the BSP when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement. Meanwhile, reductions in the buffer take effect immediately.

As a result of these directives, the Bank is exposed to the risk that the BSP may increase applicable capital requirements and other supplementary requirements from time to time. Any incremental capital requirement may adversely impact the Bank's ability to grow its business and may even require the Bank to withdraw from or curtail some of its business operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future on terms favorable to it.

In December 2017, the BCBS came out with a document finalizing the reforms which will amend the methodology to banks' calculation of their risk weighted assets (**RWAs**), as well as sets a capital floor of 72.5% using the standardized approach that includes credit risk, counterparty credit risk, credit valuation adjustment (**CVA**) risk, securitization, market risk and operational risk. The implementation date for the Basel IV amendments begins on 1 January 2022, except for the capital floor which shall be phased in over five years (i.e., 50% effective 1 January 2022, and gradually increased to "fully loaded" 72.5% beginning 1 January 2027). The BSP has not set any timetable for implementation for Philippine banks, thus the impact remains uncertain.

On 13 February 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III NSFR Report and Liquidity Coverage Ratio Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports commencing from the reporting period ending 31 January 2020, in line with BSP Circular Nos. 1034 and 1035, both dated 15 March 2019.

However, on 4 May 2020 the BSP issued BSP Memorandum Circular No. M-2020-039, pursuant to which universal and commercial banks, and their subsidiary banks and quasi-banks, may permit CCyB and LCR levels to fall below the minimum regulatory requirements during the COVID-19 pandemic. For further detail, including with respect to the restoration of capital and liquidity requirements related to Basel III requirements, see "*Banking Supervision and Regulation*".

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

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

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

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

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

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

Any future changes in Philippine taxation may materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank is subject to the taxation laws and regulations in effect in the Philippines. In the event of any changes to existing laws, the Bank's business, financial condition, and results of operations could be materially affected. Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (**TRAIN Law**), which is the first package of the Comprehensive Tax Reform Program (**CTRP**) of the Duterte administration, brought about extensive changes to individual income taxation.

Among the amendments from the TRAIN Law included increasing the rate of documentary stamp tax (**DST**) on the original issue of shares of stock and debt instruments. The original issue of shares is now subject to DST of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. Meanwhile, all such affected debt instruments are generally subject to DST at the rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the issue value of such instruments.

Meanwhile, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (**CREATE Law**), was signed into law on 26 March 2021, lowering the corporate income tax and rationalizing fiscal incentives granted to investors.

Under the CREATE Law, the corporate income tax rate for domestic corporations with total assets of ₱100 million and below (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which tax is imposed), and with net taxable income of ₱5 million and below (**MSMEs under CREATE Law**), shall be taxed at 20%; the income tax rate for other domestic and resident foreign corporations was reduced to 25%; the income tax rate of nonresident foreign corporations was reduced to 25%; the minimum corporate income tax (**MCIT**) rate was reduced to 1%, instead of 2%, until 30 June 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the National Economic and Development Authority and ability to generate jobs.

The other tax reform packages that the government hopes to implement include tax amnesty (estate, general), as well as "sin" (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP relating to passive income and financial intermediaries proposes to impose (i) a single final withholding tax rate of 15% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single rate of 15% on interest income, dividends and capital gains, (iii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), regardless of the maturity of the instrument, except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) gradually reduce the stock transaction tax until it reaches zero by 2026 and removal of the transaction tax on listed and traded debt instruments by 2026, and (vi) exemption of non-monetary documents from DST.

While the tax reform program ensures fiscal sustainability, the dampening impact of higher taxes on consumer demand and affected industries (in terms of added costs), could slow down the country's growth pace and affect the Bank's business. Further, the new regulations (such as the fourth package of the CTRP) may directly affect the business and results of operations of the Bank. If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position and results of operations.

New tax and other revenue-raising measures are being considered by the Philippine legislature that may increase taxes on the Issuer, including by imposing a withholding tax on the Notes.

The Passive Income and Financial Intermediary Taxation Act (**PIFITA**), otherwise known as Package 4 of the CTRP initiated by Former President Duterte, which proposes to improve taxes related to financial transactions, financial intermediaries, and passive income, is currently pending in the Philippine legislature. A similar version of the PIFITA under HB No. 4339 was likewise approved in its third and final reading by the Philippine House of Representatives on 14 November 2022, but to date, remains pending before the Philippine Senate Committee on Ways and Means.

Specifically, the PIFITA proposes (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) a single final withholding tax rate of 20% on interest income regardless of currency, maturity, issuer and other differentiating factors, (iii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) the gradual reduction of the stock transaction tax until it reaches 0.1%. In relation to debt instruments (including the Notes), the current proposals would introduce a uniform final withholding tax rate on interest income on deposit substitutes and interest income on long-term deposits or investments of 20% (as opposed to a range between 20%-25%), unless a treaty rate applies.

As a result, the Issuer may be required to pay Additional Amounts (as defined in the Conditions) and its option to redeem the affected series of Notes may be triggered. See “Terms and Conditions of the Notes—7.2 Redemption for Tax Reasons.”

Pending concurrence by the Philippine Senate on the PIFITA, Senate Bill (SB) No. 2865, or the Capital Markets Efficiency Promotion Act (CMEPA), was introduced to strengthen the Philippines’ capital markets, enhance investment competitiveness, and create a more balanced tax treatment between debt and equity securities. Among its proposed tax adjustments, the CMEPA seeks to (i) lower the stock transaction tax from 0.6% to 0.1%, (ii) reduce the dividend tax for non-resident aliens from 25% to 10% to align cash and property dividend rates, (iii) cut the tax on Philippine Charity Sweepstakes and lottery winnings from 20% to 10%, and (iv) reduce the documentary stamp tax on horse race and PCSO lottery tickets from 20% to 10%. While similar to the PIFITA, the CMEPA introduces other specific revisions to the Tax Code. It remains unclear whether the Philippine Department of Finance endorses the CMEPA over the PIFITA, as the former only includes select provisions of the broader bill.

No assurance can be given that HB No. 4339 and/or SB No. 2865 will be passed in their present form. Any increase in taxes on the Bank will reduce the net income of the Bank, which may have a material and adverse effect on the Bank’s business, results of operations and financial condition. Further, the expiration, non-renewal, revocation or repeal of any tax exemptions or tax incentives, the enactment of any new laws or increase in taxes, could have an effect on the Bank’s business, financial condition and results of operations.

Non-compliance with FATCA may cause material and adverse impact on the Bank’s business, financial conditions and results of operations.

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

FATCA impacts a number of organisations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions (FFIs) that invest in U.S. markets will be impacted as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens. An FFI will have to set up a process to identify U.S. accounts as part of its on boarding procedures. Once that is in place, it will also have to identify any current accounts with U.S. indicia. Additionally, there is a need to set up a process to monitor account changes for indicia of U.S. status.

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

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

Specific to the Bank’s compliance with FATCA, the Bank and its subsidiaries registered on 25 April 2014 as a PFFI and then amended its FATCA status on 27 March 2015 to Registered Deemed Compliant Foreign Financial Institution under a Model 1 Intergovernmental Agreement (IGA). The Bank’s FATCA ID and Global Intermediary Identification Number is URSOGI.00000.LE.608.

Under the IGA, the local tax authority and the BIR are the competent authority to receive FATCA information for reporting to the IRS. FATCA reporting will not take place until the PH-US FATCA IGA has been concurred by the Philippine Senate and has entered into force.

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

PFRS continues to evolve as new standards and interpretations come into effect.

A discussion on the newly adopted PFRS and amendments to existing standards to be adopted or which will be effective after 2024 can be found in Note 2.1 of the Bank's audited financial statements as at 31 December 2023 and 2024 and for the three years ended 31 December 2024 included elsewhere in this Offering Circular.

The Banks believes that other amendments and improvement to PFRS issued effective after 31 December 2024 will not have material impact on the Bank's future financial statements.

Risks Relating to the Philippines

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

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso has declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to one U.S.\$1.00 by December 2004.

While the value of the Peso has generally recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from perceived riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. For example, as at 27 December 2024, as per the BSP Rate, the Peso had depreciated to ₱58.014 per U.S.\$1.00 from ₱52.650 per U.S.\$1 at the end of 2018. As at 8 April 2025, the Peso was at ₱57.2970 against the U.S. Dollar.

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

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

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations and foreign exchange controls;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies, including tax laws and regulations that impact or may impact inflation and consumer demand;
- Government budget deficits;
- re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), H1N1, outbreak of COVID-19 or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and

- other social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition and results of operations.

Political instability may have a negative effect on the Philippine economic condition which could have a material impact on the Bank's businesses.

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

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

The Philippine general elections for national and local officials took place on 9 May 2022 with Ferdinand Marcos, Jr. being proclaimed president and Sara Duterte being proclaimed vice-president. Since the 2022 Philippine general elections, there have been public disagreements between the incumbent president, Ferdinand Marcos, Jr. and the vice president, Sara Duterte. Duterte resigned as Secretary of Education in June of 2024, a post she held following her appointment by President Marcos. The Vice President has since alleged that threats have been made against her life, attributing them to the present government.

On 11 March 2025, the Philippine National Police implemented the arrest warrant issued by the International Criminal Court (ICC) and arrested Former President Rodrigo Duterte in connection with the ICC charge against him for crimes against humanity in relation to killings in the "war on drugs". After his arrest, the Philippine government turned over custody of Duterte to the ICC in the Hague. As of the date of this Supplement, Duterte awaits trial in the Hague.

There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy. The mid-term national and local election, in which 12 senators, representatives of the House of Representatives and local officials will be elected, is set on 12 May 2025.

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

Acts of terrorism and violent crimes could destabilise the country and could have a material adverse effect on the Bank's business and financial condition.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria (ISIS). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. Martial law

in Mindanao was lifted on 1 January 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats.

On 3 July 2020, Republic Act No. 11479, otherwise known as the Ant-Terrorism Act of 2020, was signed into law to replace Republic Act No. 9372, otherwise known as the Human Security Act of 2007. The constitutionality of the law was challenged in the Supreme Court by multiple groups. On 9 December 2021, the Supreme Court upheld the validity of the law except for the following provisions: (a) the qualifier portion of Section 4 which states “which are not intended to cause death or serious physical harm to a person, to endanger a person’s life, or to create a serious risk to public safety” and (b) a portion of paragraph 2 of Section 25 which allows “request for designations by other jurisdictions or supranational jurisdictions may be adopted by the ATC after determination that the proposed designee meets the criteria for designation of UNSCR No. 1373.”

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilisation could cause interruption to the Bank’s business and materially and adversely affect the Bank’s financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilise parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Bank’s business, financial condition, and results of operations.

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

Public health epidemics, such as the COVID-19 pandemic, outbreaks of diseases, and measures intended to prevent its spread could have a material adverse effect on the Bank.

Public health epidemics, such as the outbreak of the Ebola virus, MERS-CoV, Zika virus, bird flu, polio, and COVID-19, have previously impacted the Philippines and the Bank’s business. If any of such public health epidemics emerge, re-emerge, becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could have a material and adverse effect on the results of operations, financial condition, and operations of the Bank.

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

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Bank. Historically, the Philippines’ sovereign debt has been rated non-investment grade by international credit rating agencies. In 2019, the Philippines’ long-term foreign currency-denominated debt was upgraded by S&P Global (**S&P**), to BBB+ with stable outlook, while Fitch Ratings (**Fitch**), and Moody’s Investors Service (**Moody’s**), affirmed the Philippines’ long-term foreign currency-denominated debt to the investment-grade rating of BBB and Baa2, respectively, with a stable outlook. Moody’s reaffirmed their rating in August 2024. Fitch affirmed its rating in June 2024 with a stable outlook. S&P also reaffirmed in November 2024. All ratings are above investment grade and the highest that the Philippines has received so far from any credit ratings agency.

Natural or other catastrophes, including severe weather conditions, may adversely affect the Bank’s business materially disrupt the Bank’s operations and result in losses not covered by its insurance as customers intentionally default on their loans secured by the vehicles damaged by the calamity.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions and earthquakes. For example, in January 2020, Taal Volcano, which is located approximately 50 kilometres south of Manila, erupted in mid-January 2020, spewing ashes across several towns and cities in Cavite, Laguna, Batangas, Rizal and Quezon, Metro Manila and even some parts of Central Luzon. The phreatic eruption caused the evacuation of nearby areas, and interrupted business operations as well as electricity and internet connectivity. In October 2022, Typhoon Nalgae, locally known as Typhoon Paeng, led to severe flooding and storm damage and displaced thousands in the areas affected. Natural

catastrophes will continue to affect the Philippines. In November 2024, Typhoon Pepito/Man-yi caused widespread destruction, severe flooding and landslides and displaced thousands of people, prompting several provinces in Luzon to declare a state of calamity.

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

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

Although a principal objective of Philippine securities laws and the Philippine Stock Exchange's (PSE) listing rules is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, Noteholders may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

For example, the Philippine SEC recommends publicly listed companies, such as the Bank, to have at least three independent directors or such number of independent directors as to constitute at least one-third of the members of the Board of Directors, whichever is higher. As at 31 December 2024, the Bank currently has seven independent directors. Many other jurisdictions may require more independent directors.

Furthermore, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in developed countries. Rules and policies against self-dealing and regarding the preservation of interests of Noteholders may be less well-defined and enforced in the Philippines than elsewhere, putting Noteholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of Noteholders generally, which may result in them taking actions that are contrary to the interests of Noteholders.

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

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea (UNCLOS). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

Recent years have seen increased frequency of incidents as well as heightened intensity of confrontations between Chinese Coast Guard and Philippine personnel in the West Philippine Sea. These have resulted in public accusations and diplomatic protests from both countries. In early August 2023, a Chinese Coast Guard ship used a water cannon against Philippine supply boats to prevent them from approaching the contested Second Thomas

Shoal (Ayungin Shoal to the Philippines and Ren' ai Reef to China) in the Spratly Islands, where Filipino military personnel are stationed. The move, which was caught on video, outraged President Marcos, Jr. and prompted the Department of Foreign Affairs in Manila to summon the Chinese ambassador to convey a strongly worded protest. In September 2023, the Philippine Coast Guard removed a floating barrier that was deployed by China at a disputed reef that was deployed by China to block Filipinos from the traditional fishing ground within the exclusive economic zone of the Philippines. In November 2023, a Chinese ship fired water cannons at M/L Kalayaan while the latter was on a resupply mission to troops stationed at BRP Sierra Madre in the Second Thomas Shoal, a former US Navy ship that has been grounded in the Second Thomas Shoal since 1999. The Philippines also claimed that ships belonging to a Chinese maritime militia were involved in the harassment and that inflatable boats belonging to the Chinese Coast Guard were similarly involved. The Philippine Embassy in Beijing has protested the latest incidents to the Chinese Foreign Ministry. In several instances, Chinese Coast Guard ships used water cannons against Philippine-registered vessels, including a smaller military-contracted vessel during a resupply mission to the Ayungin Shoal, and Philippine-government vessels distributing fuel and food to the fisherfolk in the Scarborough Shoal. Subsequently, the Chinese coast guard boarded a Philippine vessel. The Philippine government lodged another diplomatic protest against China, and is engaging in discussions with the US regarding escalating tensions in the West Philippine Sea. The Philippines has filed a total of 199 diplomatic protests against China during President Marcos' tenure.

In July 2024, the Philippines and China held their first formal dialogue since the incident, convening the 9th Meeting of their Bilateral Consultation Mechanism on the South China Sea in Manila. Discussions focused on their respective positions on Ayungin Shoal and affirmed their commitment to de-escalating tensions. While the Philippines was able to complete a resupply mission to its troops without incident under a new provisional agreement with China aimed at mitigating tensions, another incident occurred in August 2024 whereby the Philippine military reported that the Chinese Air Force executed "dangerous and provocative actions" over the South China Sea. Two People's Liberation Army aircraft dropped flares and performed hazardous maneuvers while a Philippine Air Force patrol was over Scarborough Shoal. No Philippine crew was harmed. Tensions further escalated when the Philippines and China accused each other of ramming vessels and performing dangerous maneuvers in the West Philippine Sea shortly after the incident in August 2024.

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

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

Risks Relating to an Investment in the Notes

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of investing in the Notes in light of its own circumstances. In particular, each potential investor should:

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

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

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

Noteholders may face difficulties enforcing judgments against the Bank.

The Bank is organised under the laws of the Philippines. A substantial portion of the Bank's assets are located in the Philippines. It may be difficult for investors to effect service of process outside of the Philippines upon the Bank. Moreover, it may be difficult for investors to enforce judgments against the Bank outside of the Philippines in any actions pertaining to the Notes. In addition, substantially all of the directors and officers of the Bank are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines.

As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons, judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgments obtained against the Bank in any foreign court may be recognised and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud; (ii) the foreign court rendering such judgment did not have jurisdiction; (iii) such order or judgment is contrary to good customs, public order, or public policy of the Philippines; (iv) the Bank did not have notice of the proceedings before the foreign court; or (v) such judgment was based upon a clear mistake of law or fact.

The priority of debt evidenced by a public instrument.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorised to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. So far as the Bank is aware, none of its debt is evidenced by a public instrument and the Bank will undertake in the Terms and Conditions of the Notes and the Trust Deed not to create or permit to subsist any preference or priority in respect of any Relevant Indebtedness (as defined in Condition 4) pursuant to Article 2244(14). However, a domestic lender may acknowledge debt before a notary or a person authorised to administer oaths without notice to the Bank. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Notes in the event of the liquidation of the Bank.

If an investor holds Notes which are not denominated in the investor's home currency, the investor will be exposed to movements in exchange rates adversely affecting the value of the investor's holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the Investor's Currency) other than the Specified Currency. These include the risk that exchange

rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Issuer is not aware of any pending proposals by the Government relating to such restrictions. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restriction imposed in the future could adversely affect the ability of investors to repatriate foreign currency upon sale of the Notes or receipt of any dividends.

The Notes may have limited liquidity.

The Notes issued under the Programme will constitute a new issue of securities for which there is no existing market. The offer and sale of the Notes is not conditioned on obtaining a listing of the Notes on the SGX-ST or any other exchange. The Dealers are not obliged to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice in their sole discretion.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, Notes issued under the Programme. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political and economic developments in and affecting the Philippines;
- the market conditions for similar securities; and
- the financial condition and stability of the Philippine financial sector.

Application has been made with the SGX-ST for permission to deal in, and quotation of, any Notes which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the official list of the SGX-ST. However, there can be no assurance that the Issuer will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Notes on the SGX-ST. The Issuer does not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a holder's ability to dispose of the Notes.

Investors who hold an amount of Notes less than the minimum Specified Denomination may not receive a definitive Notes for such amount.

In relation to any issue of Notes which has denominations consisting of a minimum Specified Denomination (as specified in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes

be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Bank will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

If definitive Notes are issued, holders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The implementation of Basel III guidelines may have an adverse effect on the position of the Noteholders.

On 17 December 2009, the BCBS proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled ‘Strengthening the resilience of the banking sector’. On 16 December 2010 and on 13 January 2011, the BCBS issued its final guidance on Basel III. The Basel III reforms require Tier 1 and Tier 2 capital instruments to be more loss-absorbing. The BCBS has proposed that the guidelines should be implemented from 1 January 2013. In January 2012, the BSP announced that the country’s universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III with effect from 1 January 2014. Under the new Basel III capital standards proposed by the BSP, Philippine banks are required to maintain at least 7.5% and 10.0% Tier 1 and total CAR, respectively, compared to the current minimum levels of 5% and 10%. These effectively make the proposed BSP requirements more stringent than those of the BIS minimum levels of 6.0% and 8.0% Tier 1 and total CAR, respectively. BSP Circular No. 768 issued in September 2012 provides that eligible capital instruments issued as Lower Tier 2 capital under the conditions for eligibility as capital instruments pursuant to existing regulations shall continue to be recognised as qualifying capital until the BSP issues further guidelines. In March 2016, the Monetary Board announced that it had approved the LCR framework which requires universal and commercial banks to hold sufficient HQLAs that can be easily converted into cash to service liquidity requirements over a 30-day stress period. The approval of the LCR framework by the Monetary Board provides for an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. Banks are required to publicly disclose information related to the LCR on solo and consolidated bases beginning 1 January 2019. See “— *Philippine banks face regulatory pressure to comply with new capital standards*”.

The press release of the BCBS dated 13 January 2011 entitled “Minimum requirements to ensure loss absorbency at the point of non-viability” included an additional Basel III requirement (the **Point of Non-Viability Requirement**) as follows:

“The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.”

The release also states as follows: “The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority” (for the purposes of this Offering Circular, each a **Non-Viability Event**).

The BSP has provided guidance to the Philippine banks regarding the minimum capital ratios under the Basel III regime and the terms and conditions of Basel III compliant capital through the issuance of BSP Circular No. 781, Series of 2013, concerning the Basel III Implementing Guidelines on Minimum Capital Requirements. The Implementing Guidelines states that all instruments (other than common equity) qualified as Additional Tier 1 and Tier 2 capital must have contractual terms and conditions requiring them to be written-off or converted into common equity upon occurrence of a specified trigger event. The trigger event occurs when a bank is considered nonviable as determined by the BSP.

Specifically, capital instruments should be written off or converted into CET 1 at the earlier of:

- (a) The occurrence of a deviation from a certain level of CET 1 ratio, specifically, in case the CET 1 ratio falls to 7.25% or below or as may be determined by the BSP;
- (b) The inability of the bank to continued business; or
- (c) any other event as may be determined by the BSP.

There is currently no indication that the BSP is considering having laws in place that would allow it or any other relevant authority the right to impose losses on the capital instruments without expressed and specific stipulations in the capital instruments allowing the BSP to do so (**Statutory Loss Absorption**).

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15.

Payments under the Notes may become subject to U.S. Foreign Account Tax Compliance Withholding.

The FATCA imposes a reporting regime and, potentially, a 30% withholding tax. Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may in the future affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled

to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

The occurrence of a Non-Viability Event may be inherently unpredictable and may depend on a number of factors which may be outside of the Bank's control.

The occurrence of a Non-Viability Event is dependent on a determination by the BSP (a) that a deviation from a certain level of CET 1 ratio occurred, specifically, in case the CET 1 ratio falls to 7.25% or below or as may be determined by the BSP; (b) inability of the bank to continued business; or (c) any other event as may be determined by the BSP. As a result, the BSP may require or may cause a write-off in circumstances that are beyond the control of the Bank and with which the Bank does not agree. Because of the inherent uncertainty regarding the determination of whether a Non-Viability Event exists, it will be difficult to predict when, if at all, a write-off will occur.

Based on the existing Basel III Guidelines, there is no assurance that any contractual provisions with non-viability loss absorption features, to the extent applicable, will be sufficient to satisfy the Basel III-compliant requirements that the Relevant Authorities may implement in the future. There is a risk that any Relevant Authority may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the BCBS.

The credit ratings assigned to the Notes may not reflect all risks.

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

Risks Relating to the Structure of a Particular Issue of Notes

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

Notes subject to optional redemption by the Issuer

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

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

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or

more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to such a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of the Notes could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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

The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Notes linked to or referencing such “benchmarks”.

Interest rates and indices which are deemed to be or used as “benchmarks” (such as EURIBOR) are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. For example, Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and the application date for the majority of its provisions was 1 January 2018. It is directly applicable law across the EU. The EU Benchmarks Regulation forms part of assimilated law in the UK by virtue of the EUWA, subject to amendments made by the Benchmarks (Amendment and Transaction Provision (EU Exit) Regulation 2019 (as amended, the **UK Benchmarks Regulation**, and together with the EU Benchmarks Regulation, the **Benchmarks Regulation**). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU and the UK (as applicable). It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU or non-UK-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses of “benchmarks” provided by unauthorised administrators by supervised entities in the EU or the UK. The scope of the Benchmarks Regulations is wide and, in addition to so-called “critical benchmark” indices, could also potentially apply to many interest rate and foreign exchange rate indices, equity indices and other indices (including “proprietary” indices or strategies) where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue, financial contracts and investment funds.

More broadly, any of the international reforms, particularly in the United Kingdom or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of Notes provide for certain fallback arrangements in the event that EURIBOR and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable or a Benchmark Event (as defined in the Terms and Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Rate (both as defined in the Terms and Conditions), with or without the application of an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising

out of the replacement of the relevant benchmark. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing a Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant benchmark were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of international or national reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes referencing a benchmark.

The use of Secured Overnight Financing Rate (SOFR) as a reference rate is subject to important limitations.

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5.2(b)(iii) of the Terms and Conditions of the Notes).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the **ARRC**) announced SOFR as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of, interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and return on, any approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and the Group has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which SOFR is calculated is changed or if SOFR is

discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR do not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

Risks Relating to Renminbi-denominated Notes

Notes denominated in Renminbi (**Renminbi Notes**) may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outward from the PRC.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts.

Currently, participating banks in Singapore, Hong Kong, Taiwan, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Paris, Luxembourg, Kuala Lumpur and Bangkok have been permitted to engage in the settlement of Renminbi trade transactions. This represents a current account activity. However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the

relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Since 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund. However, there is no assurance that the PRC government will continue to liberalise its control over cross-border Renminbi remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under the Notes denominated in Renminbi. Each investor should consult its own advisors to obtain a more detailed explanation of how the PRC regulations and rules may affect their investment decisions.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Bank's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that no new PRC regulations will be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of its Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against the US dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. Subject to the applicable Pricing Supplement and Terms and Conditions, all payments of interest and principal with respect to Renminbi Notes will be made in Renminbi. As a result, the value of these Renminbi payments in US dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the US dollar or other foreign currencies, the value of investment in US dollar or other applicable foreign currency terms will decline.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by global certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and/or Clearstream rules and procedures, or (ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Bank cannot be required to make payment by any other means (including, but not limited to, in any other currency, by bank notes, by cheques or drafts or by transferring to a bank account in the PRC).

Risks Relating to the Notes issued as Green, Blue, Social, Orange or Sustainability Bonds

Notes issued as "Green Bonds," "Blue Bonds," "Social Bonds," "Orange Bonds," or "Sustainability Bonds" may not be a suitable investment for all investors seeking exposure to green, blue, social, or orange or gender-related projects.

Prospective investors should have regard to the information set out in "Sustainable Finance Framework" and in the applicable Pricing Supplement regarding use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment if Notes issued under the Programme are issued as "Green Bonds", "Social Bonds" or "Sustainability Bonds", as the case may be, together with any other investigation such investor deems necessary.

In particular, the Bank may choose to apply the proceeds from the issue of Notes under the Programme for Eligible Projects which are defined in accordance with the broad categorization of eligibility set out in the Bank's Sustainable Finance Framework, including green bond principles and standards, social bond principles and standards, and sustainability bond guidelines and standards of the International Capital Market Association, ASEAN Capital Markets Forum, Loan Markets Association and Asia Pacific Loan Market Association, the International Finance Corporation's guidelines for blue finance, applicable taxonomies and frameworks published by the ASEAN Capital Markets Forum, Bangko Sentral ng Pilipinas and the Philippine Department of Finance, and the Philippine SEC's guidelines on eligible green, social, sustainable, and blue projects and activities for the issuance of sustainable finance instruments in the Philippines. Although the underlying projects have been selected in accordance with the categories recognised by relevant principles, and will be developed in accordance with relevant legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and operation of the projects. In addition, where negative impacts are insufficiently mitigated, the projects may become controversial, and/or may be criticized by activist groups or other stakeholders. Furthermore, no assurance is given by the Bank or the Dealers that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental sustainability or social impact of any projects or uses the subject of or related to, any Eligible Projects.

There can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Projects) will be capable of being implemented in or substantially in the manner described in the Sustainable Finance Framework and/or the applicable Pricing Supplement and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Bank. Any such event or failure by the Bank will not constitute an Event of Default under the Notes. Furthermore, it would not be a default under the Green, Blue, Social, Orange, or Sustainability Bonds if (i) the Issuer were to fail to allocate the proceeds in the manner specified in the applicable Pricing Supplement or otherwise not comply with the Bank's Sustainable Finance Framework and/or (ii) any third-party statements issued in connection with such Green, Blue, Social, Orange, or Sustainability Bonds were to be withdrawn, modified or downgraded.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a green, blue, social (including orange or gender-focused) or sustainable or an equivalently labeled project or as to what precise attributes are required for a particular project to be defined as green, blue, social, orange, or sustainable or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any project(s) or use(s) the subject of or related to any Eligible Projects will meet any or all investor expectations regarding such green, social or other equivalently-labeled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any project(s) or use(s) the subject of, or related to, any Eligible Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Bank) which may be made available in connection with the issue of the Notes and in particular with any Eligible Projects to fulfill any environmental, social and/or other criteria. For the avoidance of doubt, any such opinion or certification (i) is not, nor shall be deemed to be, incorporated in and/or form part of the applicable Pricing Supplement or this Offering Circular, (ii) is not, nor should be deemed to be, a recommendation by the Bank or the Dealers or any other person to buy, sell or hold any the Notes and (iii) would only be current as of the date that it was initially issued. Any such opinion or certification may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. Any such opinion or certification may be updated, suspended or withdrawn at any time. A withdrawal of any such opinion or certification may have an adverse effect on the value of the Notes and/or may have adverse consequences for certain investors with portfolio mandates to invest in green assets. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. No

assurance can be provided with respect to the suitability or reliability of any such opinion or certification or that the Notes will fulfil the criteria to qualify as Green Bonds, Blue Bonds, Social Bonds, Orange Bonds, or Sustainability Bonds, as the case may be. The Lead Arranger and the Dealers have not undertaken, nor are responsible for, any assessment of the eligibility of projects in Eligible Projects or the monitoring of the use of proceeds from the offering of the Notes.

In the event that the Notes will be listed or admitted to trading on any dedicated green, environmental, sustainable or other equivalently-labeled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank or the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Eligible Projects. Additionally, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of the Notes for any project(s) or use(s), including any Eligible Projects, and/or the withdrawal modification or downgrade of any opinion or certification as described above or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, and/or the Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Notes and also potentially the value of any other Notes which are intended by the Bank to finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

DESCRIPTION OF THE BANK

Overview

BDO Unibank, Inc. (the **Bank**) is a universal bank which provides a wide range of corporate and retail banking services. These services include traditional loan and deposit products, as well as treasury, trust and investments, investment banking, private banking, cash management, leasing and finance, remittance, insurance, rural banking, stock brokerage, retail cash cards and credit card services. The Bank is the product of a merger between Banco de Oro Universal Bank, Inc. (**BDO**) and Equitable PCI Bank, Inc. (**EPCIB**), which took effect on 31 May 2007. As at 31 December 2024, according to the statements of condition submitted by banks to the BSP, the Bank ranked as the number one bank in the Philippines in terms of total resources, gross customer loans, total deposits, capital, and total trust funds under management. The Bank's consolidated total resources were ₱4.9 trillion as at 31 December 2024, while total capital funds stood at ₱577.4 billion.

The Bank's strategic focus is to enhance its position as a leading full-service bank in the Philippines and to continue its focus on growing its business and improving operational efficiency. The Bank's principal markets are currently the top-tier corporate market, the middle-market banking segment (consisting of medium-sized corporations and small- and medium-sized enterprises (**SMEs**)) and the retail/consumer market. The Bank's customers are based primarily in the Philippines, and include large multinational corporations with local operations. The Bank has experienced significant growth over the last few years arising from offering new products and services and as a result of recent mergers and acquisitions.

As at 31 December 2024, the Bank had a network of 1,791 operating domestic branches (including 569 BDO Network Bank, Inc. branches) and two full-service branches in Hong Kong and Singapore. As at 31 December 2024, its network includes 14 overseas remittance and representative offices across Asia, North America, and Europe, and 4,922 automated teller machines (**ATMs**), 411 cash accept machines (**CAMs**), and 481 branch universal machines. As at 31 December 2024, the SM Group was the Bank's largest shareholder group, with an effective common equity interest, along with other affiliated companies, of approximately 54.7% of the Bank's issued common shares.

As at 31 December 2024, the Bank had a market capitalisation on the PSE of approximately ₱759 billion. The Bank's consolidated CET 1 ratio, tier 1 CAR, and total CAR were 14.1%, 14.3% and 15.2%, respectively, as at 31 December 2024.

History

The Bank, formerly known as Acme Savings Bank, was acquired by the SM Group in August 1976. The SM Group is one of the largest conglomerates in the Philippines, with substantial interests in financial services, real estate development, and tourism and entertainment, founded around its core business in commercial centres and retailing.

Until it was granted full universal bank status on 5 August 1996, the Bank's main business was providing traditional loan and deposit banking services to the middle-market segment, including corporate suppliers of ShoeMart, Inc., a large department store chain operated by the SM Group. Since then, the Bank has shifted its focus from servicing the suppliers, tenants and other merchants that do business with the SM Group (generally referred to as the **SM Network**), to expanding and diversifying its client base by offering a full range of commercial banking products and services. At the same time, the Bank believes that its relationship with the SM Group has been, and will continue to be, a valuable resource in expanding its customer base to large corporate clients and retail customers.

The Bank has grown through a series of mergers and acquisitions, including notably:

- On 29 August 2003, the Bank acquired Banco Santander Philippines, Inc. (**BSPI**) while BDO Capital acquired Santander Investment Securities Philippines, Inc. from Santander Central Hispano, S.A. BSPI was renamed BDO Private Bank, Inc. (**BDO Private Bank**) and provided the Bank with an immediate presence in the private banking sector.
- On 19 December 2005, the Bank acquired United Overseas Bank Philippines' (**UOBP**) branch banking business and obtained 66 branch licenses.

- On 31 May 2007, the Bank merged with Equitable PCI Bank, Inc. with the Bank as the surviving entity. The merged bank was renamed Banco de Oro – EPCI, Inc. and on 6 February 2008, the Philippine SEC approved the change of name to Banco de Oro Unibank, Inc.
- On 30 October 2007, the Bank acquired American Express Bank Philippines, Inc. (**AEBP**), gaining access to American Express Philippines’ U.S. dollar and Peso credit card portfolios as well as the consumer banking services of American Express.
- On 24 August 2009, the Bank purchased 98.81% of the issued and outstanding common shares and 100% of the preferred capital stock of GE Money Bank (**GEMB**), thereby consolidating GEMB’s business including 31 branch licenses into the Bank. GEMB was retained as a separate legal entity and adopted the name BDO Elite Savings Bank, Inc. when it amended its Articles of Incorporation with the Philippine SEC on 12 August 2010.
- In July 2012, the Bank completed its acquisition of the banking business of the Rural Bank of San Juan, a rural bank with 30 additional branch licenses.
- On 25 March 2014, the Bank completed the acquisition of Citibank Savings, Inc., a savings bank with ten active branches and whose branches were converted on 24 August 2014.
- On 2 June 2014, the Bank acquired the trust business of Deutsche Bank AG’s Manila branch comprising trust, fiduciary and investment management activities.
- On 8 August 2014, the Bank acquired the banking business of The Real Bank (A Thrift Bank), Inc., a thrift bank with a deposit base of ₱6.9 billion and 24 branches operating in Metro Manila and Luzon, to transfer the latter’s assets and liabilities to the Bank.
- On 20 July 2015, the Bank successfully completed its acquisition of ONB. On 31 July 2019, the Philippine SEC approved the resolution changing the corporate name of ONB to BDO Network Bank, Inc. (**BDO Network**).
- On 30 June 2016, the Bank secured final regulatory approval to acquire full interest in GPHC the parent firm of life insurer GPLAC and non-life insurer GPIC. Effective as at 1 July 2016, the operations of GPLAC were reorganized, and GPHC and GPLAC were renamed BDO Life Assurance Holdings Corp. (**BDO Life**), and BDO Life Assurance Company Inc., respectively.
- On 31 October 2019, BDO Network completed its purchase of the recorded gross loan receivables and assumption of the recorded deposit liabilities of the Rural Bank of Pandi Inc.

Recent Offers and Capital Raising Transactions

On 16 May 2022, the Bank disclosed that it has issued its U.S. \$100 million maiden Blue Bond, through an investment from the IFC, for waste and wastewater management projects to address water scarcity and ocean pollution in the Philippines.

On 29 January 2024, the Bank issued ₱63.3 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.0% per annum and will mature on 29 July 2025.

On 24 July 2024, the Bank issued ₱55.7 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.3% per annum and will mature on 24 January 2026.

Other Recent Developments

On 28 January 2020, the Bank announced that it had entered into an agreement to sell a controlling stake in its publicly listed subsidiary, BDO Leasing and Finance, Inc. (**BDOLF**), with the completion of the transaction subject to closing conditions. On 21 October 2020, BDOLF reported that it transferred 27.02% of its assets to BDO Finance Corporation (**BDOFC**). The transfer of assets is part of the restructuring of the Bank’s leasing business in order to optimize the financial needs of clients in light of new accounting regulations covering lease transactions. IFRS 16, which took effect on January 2019, requires leases to be recognized on-balance sheet, similar to a loan facility, which makes lease transactions a less attractive option to corporate borrowers compared

to the previous arrangement. Under the restructuring, the Bank incorporated a new, privately held company BDOFC to provide customers continuing access to lease products and services. However, on 24 January 2021, the Bank's agreement for the sale of controlling stake in BDOLF lapsed due to the non-completion of certain closing conditions that were a pre-requisite to the sale transaction. The parties thereafter agreed to terminate the agreement. BDOLF (renamed Dominion Holdings, Inc.) remains a listed holding company of the Bank. On 7 March 2022, the Bank further disclosed that it is now contemplating keeping BDOLF, repurposed as a holding company, for its own investment purpose or, depending on the terms of outstanding offers, pursue the sale of its shares with other prospective buyers.

On 26 November 2020, the Bank announced the completion of the buyout of Nomura's ownership in BDO Nomura following an announcement last 23 June 2020 terminating their joint venture arrangement. BDO Capital acquired Nomura's 49% stake in BDO Nomura. BDO Nomura was merged with BDO Securities with the latter as the surviving entity. BDO Securities was reorganized into a full-service brokerage firm with an expanded product offering to include non-equity securities.

On 11 December 2021, there were reports of unauthorized transactions in certain BDO accounts. The Bank immediately responded to the fraud incident by implementing additional security controls to block further attempts from fraudsters and protect clients' bank credentials. At the same time, the Bank began processing the reimbursement of affected clients. On 20 May 2022, the Bank disclosed that the related examination by the BSP has been completed and that there are no monetary sanctions imposed by the BSP on this matter.

On 26 March 2022 and 24 September 2022, the Bank's Board of Directors approved the additional equity investment in BDO Network via the subscription of common shares of up to ₱1.7 billion and ₱4.25 billion, respectively, with the latter to be infused in tranches depending on the business need of BDO Network. The subscriptions amounting to ₱1.7 billion, ₱2.55 billion and ₱1.49 billion were paid in August 2022, October 2022, and June 2024, respectively. The capital infusion was made to support BDO Network's business expansion.

On 25 March 2023, the Bank's Board approved the purchase of the entire equity interest of the Keppel Group in TPCI. In view of Keppel's decision to divest its investment in TPCI, the Bank, as Keppel's joint venture partner in TCPI, agreed to buy out Keppel's 50% direct equity ownership in TPCI. In the fourth quarter of 2024, the Philippine SEC and the BSP approved the merger between the Bank and TPCI with the Parent Bank as the surviving entity. The merger became effective on 1 December 2024.

Competitive Strengths

The Bank believes it has the following competitive advantages in relation to its competitors:

Leading brand name and banking franchise in the Philippines

The Bank believes that its combination of scale, reach, business mix, product offerings and brand recognition has made it a leading financial institution in the Philippines. According to statements of condition submitted by banks to the BSP, as at 31 December 2024, the Bank is the Philippines' largest bank in terms of total resources, customer loans, deposits, capital and trust assets. In addition, the Bank has one of the widest domestic branch networks in the Philippines, with 1,791 operating domestic branches (including 569 BDO Network branches) spanning all major cities across the country as at 31 December 2024. The Bank believes that all of these factors have helped to develop the BDO brand, which covers the Bank's entire range of banking products and financial services under a single brand name, as one of the most well-known in the domestic market. The Bank's premier branding and market dominance are also reflected in leading market shares across most business segments including corporate banking, retail banking, private banking, investment banking, rural banking, remittances and credit cards. The Bank believes that its scale of operations and brand recognition support the continued growth and diversification of its business, network and product mix.

Diversified business model providing full-service operations

The Bank is a full-service universal bank offering a host of industry-leading banking products and services to serve the retail and corporate markets, including lending products (such as loan products tailored to corporate, middle market, SMEs and consumer loans), deposit products, foreign exchange, brokering, trust and investments, credit cards, cash management and remittances, among others. Through its subsidiaries, the Bank also offers leasing and financing, investment banking, private banking, bancassurance, insurance brokerage and stock brokerage services. See "– *Subsidiaries and Affiliates*". The Bank believes that its diversified business

model with products and services catering to the changing needs of Filipino customers has provided it with a sustainable and diversified earnings stream, mainly comprising core interest income from lending activities, as well as growing non-interest income from service-based products. The Bank has implemented plans and strategies, such as the consolidation of BDO Life in 2016, increasing capabilities in wealth management, and leveraging its distribution network to cross-sell fee income generating products, which the Bank believes will increase the contribution of recurring fee income to its overall operating income. For the year ended 31 December 2024, the Bank's other operating income, mainly comprising non-interest income, increased by 8.4% to ₱77.7 billion from ₱71.7 billion in the year ended 31 December 2023. Moreover, the Bank believes that it has built a stable earnings base, wherein approximately 96.5% of its income is from recurring sources for the year ended 31 December 2024, rendering it less susceptible to market and industry volatility.

Customer-centric culture complemented by strategic distribution platform

The Bank believes it has instilled a “customer-centric culture” across its branches and personnel, embodied in its “We Find Ways” philosophy which it believes has elevated the customer convenience it offers to a higher level. For example, the Bank is the first Philippine bank to offer weekend operating schedules and all of its branches operate on extended banking hours.

To efficiently serve its customers, the Bank's branch network stretches to cover all major cities in the Philippines, with the Bank often establishing multiple branches in general areas it has identified to have greater potential for business. The Bank believes that this extensive domestic distribution network, including strategic locations within SM malls and other high-customer traffic areas, allows it to have wide service coverage and geographic reach, as well as greater accessibility to its customers. As at 31 December 2024, the Bank had a network of 1,791 operating domestic branches (including 569 BDO Network branches) and two full-service branches in Hong Kong and Singapore. As at 31 December 2024, its network includes 14 overseas remittance and representative offices across Asia, North America, and Europe, and 4,922 ATMs, 411 CAMs, and 481 branch universal machines. The Bank has also entered into numerous business arrangements with correspondent banks, designated agents and other joint venture and business partners worldwide.

As a result of these, the Bank believes its branches have one of the highest ratios of deposits per branch in the Philippines, enabling the Bank to rapidly expand its low-cost deposit base. Its low-cost deposit base (comprising demand and savings (CASA) deposits) increased from ₱2.6 trillion as at 31 December 2023 to ₱2.7 trillion as at 31 December 2024, representing a year-on-year growth of 6.1%. As at 31 December 2022, its CASA deposit base was at ₱2.5 trillion. As at 31 December 2022, 2023, and 2024, 78.8%, 71.6%, and 71.5%, respectively, of the Bank's total deposit base comprised CASA deposits. In addition, the Bank also believes that its branch network and premier customer service have allowed it to actively utilise its branches to expand its loan portfolio and transform its non-interest income franchise, mainly through aggressive cross-selling of loan and other fee income-related products and customer referrals across branches. The Bank believes that these endeavors will increase the ratio of recurring fee income to the Bank's overall operating income and reduce the Bank's reliance on trading and foreign exchange-related gains.

Scalable infrastructure platform for sustained growth

The Bank believes it has established a solid and scalable operating platform that allows it to implement its growth and expansion objectives. The Bank has achieved this mainly by making key investments in bank premises to support its expanding branch network, enhancing its business development capability, as well as upgrading its operations, processes, and IT applications to accommodate growing business volumes and changing market demands. In addition, the Bank has pursued a digital banking (online and mobile) strategy and offerings to create new digital revenue opportunities to improve the Bank's operating performance and enhance user experience. The Bank believes that these initiatives make it well-placed to efficiently implement its continued goals of further large-scale expansion, business diversification and efficiency of service delivery.

Strong and experienced management team

The Bank believes it has assembled a strong management team, with significant experience and proven track records in Philippine banking. The Bank's senior executive officers (comprising officers from the senior vice-president level and above who head business or support groups) have an average of over 20 years of experience in the banking and financial services sectors, primarily with certain of the Philippines' largest and most well-known banks. In addition, the Bank's executives and officers have a broad range of experience in their

respective areas at banking and finance, with certain executives and officers gaining international banking experience with some of the leading global financial institutions. The Bank believes that its management team has successfully and continually improved the Bank's operating and business fundamentals, contributing substantially to the Bank's organic and acquisitive growth and expansion, and provides the Bank with a significant competitive advantage.

Synergies with controlling shareholder group

The Bank believes it has and continues to leverage its position as the main banking arm of the SM Group, which is the Philippines' largest retail conglomerate and mall operator. As a result of this relationship, the Bank enjoys synergies with the SM Group, such as new business opportunities for joint project development, origination of mortgage products through referrals from residential real estate projects, cross-selling of products to customers and shared marketing networks, knowledge and expertise with respect to key economic sectors and business industries such as retail, middle market and real estate, and strategic locations of the Bank's branches and ATMs in SM Group malls located across the Philippines. The Bank also believes that its business segments and product lines effectively support the business objectives of other SM Group companies in the areas at loans, other types of financing and portfolio investments.

Business Strategies

The Bank continues to build on its strong business franchise to maintain leadership positions across most business lines, as well as further strengthen its capabilities to support future growth and actively respond to strategic opportunities and market challenges. Over the long-term, the Bank aims to be the preferred bank in every market it serves and create shareholder value through superior returns. The key elements of the Bank's strategy are as follows:

Diversified and sustainable earnings stream

The Bank seeks to continue to grow its diversified and sustainable earnings stream generated from its core lending and deposit-generating activities, accrual and trading income from its investment portfolio and fee income from service-based businesses.

The Bank intends to continue to pursue focused loan growth to achieve a more balanced loan portfolio and more effectively manage its concentration risk. While the Bank believes it already maintains a diversified loan portfolio across various market segments, it intends to increase lending to the more profitable and growing consumer and middle-market segments. The Bank also expects to continue to leverage operating synergies with the SM Group to further diversify its earnings stream through product origination capabilities and fee-generating sources. In addition, to minimise the volatility of the Bank's income sources, the Bank has gradually built its non-interest earnings by generating increased income from its fee-generating services including, among others, asset/wealth management, electronic banking, insurance, credit cards and investment banking. The Bank also seeks to more efficiently manage its resources, such as its securities portfolio, to maximise both accrual and trading income.

Continue to expand distribution network to improve access to customers and reduce funding costs

The Bank plans to continue to build its branch network across the Philippines, to further improve access to its customers and more efficiently serve their needs. Through its expanding branch network, the Bank intends to drive lending and deposit taking initiatives, particularly in provincial areas, through its offerings of one-stop banking services where customers can avail of a host of lending, deposit, investment products, and other financial services including access to a wide range of loan products, foreign exchange, insurance and trust services, in addition to more traditional deposit services. The Bank believes that its continuous expansion, acquisitions, and integration of newly acquired entities have and will continue to develop into operating leverage that will help the Bank grow faster, while keeping the growth of its operating expenses at a slower pace.

Prudent balance sheet management

The Bank intends to continue to implement a prudent and effective risk management culture while also seeking to maintain a strong capital position, high asset quality and a healthy balance sheet. The Bank has adopted and continues to adopt a conservative provisioning strategy even as its asset quality has remained stable despite steady loan growth. The Bank believes this approach will insulate the Bank against any downturns in the financial

sector or in the domestic or global economies, and will maintain the Bank's robust asset quality metrics compared to the wider Philippine banking sector. In addition, the Bank intends to actively reduce its non-performing assets through various methods that include retail sales and joint property development, strengthening of its broker / employee network, and attractive payment and pricing terms.

Further develop operating systems, branch infrastructure and advertising efforts

The Bank has made, and intends to continue to make, strategic investments in increasing productive capacity to maintain its strong and modern operating infrastructure, allowing the Bank to accommodate future growth, ensure business continuity and enhance efficiency. The Bank expects these investments to generally be in the areas at office and network expansion, IT, operations and risk management. In addition, the Bank intends to continue improving its digital strategy and enhance its digital, online and mobile banking capabilities and digital offering to customers, in response to the growing impact of independent financial technology firms globally. The Bank also expects to continue to invest in analytics and big data to further enhance its cross-selling efforts.

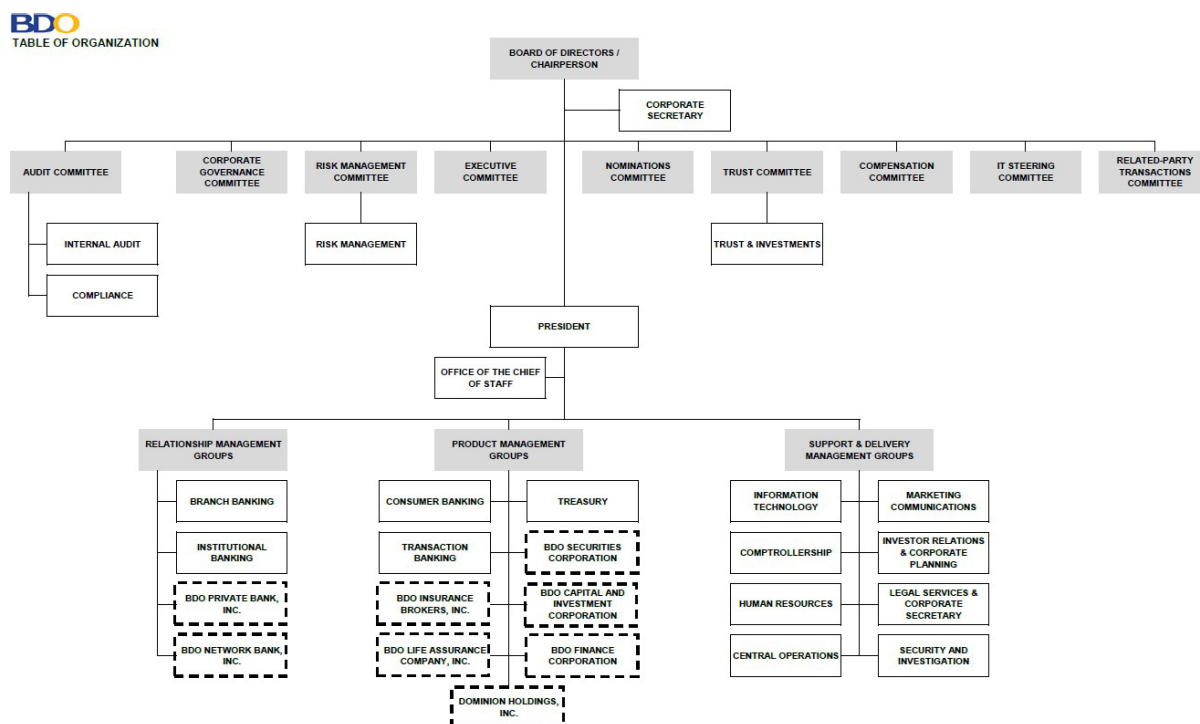
The Bank also intends to maintain its extensive branding campaign to further create customer awareness and market visibility, thus enhancing the potential of its extensive distribution platform across varying media outlets. Accordingly, the Bank intends to implement continuing branch renovations and modernisation upgrades to corporate offices consistent with the Bank's enhanced image and branding.

Complement organic growth with mergers/acquisitions

To complement its organic growth and branch expansion, the Bank intends to consider opportunities for strategic mergers and acquisitions as they arise to further expand its market coverage and tap emerging and potential businesses. The Bank will evaluate potential acquisitions on an opportunistic basis as an alternative means of expanding its coverage and product offering.

Organisational Structure

The following chart sets forth the Bank's simplified corporate structure, organised by its principal activities as at 31 December 2024.



Business of the Bank

The Bank is organised into three main groups: relationship management (**Relationship Management**), product management (**Product Management**), and support and delivery management (**Support and Delivery Management**). Members of each business group work together to provide the Bank's customers with a full suite of services. The Bank believes that giving its larger customers multiple points of contact within the Bank enhances its ability to respond promptly and appropriately to its customer demands and also allows the Bank to institutionalise its more important customer relationships. The following is a description of each of the Bank's business groups and their respective services.

Relationship Management

Relationship Management is responsible for managing client relationships and expanding clients' businesses with the Bank. Included in this group are institutional banking, covering large corporations, financial institutions, middle-market, small business accounts and structured trade finance (**Institutional Banking**), branch banking, covering the domestic branch network as well as overseas branch operations (**Branch Banking**), private banking through BDO Private Bank (**Private Banking**), and rural banking through BDO Network (**Rural Banking**).

Institutional Banking Group

The Bank's principal lending business activities are undertaken by the Institutional Banking group (**Institutional Banking Group**), which is responsible for managing relationships with clients and servicing their loans and other banking requirements. The Institutional Banking Group has the primary responsibility of managing the corporate loan portfolio of the Bank, which accounts for approximately 74.6% the total loan book as at 31 December 2024, and amounted to ₱2.0 trillion, ₱2.2 trillion and ₱2.4 trillion as at 31 December 2022, 2023 and 2024, respectively.

A table of the Institutional Banking Group's loans by customer type appears below.

	As at 31 December		
	2022	2023	2024
		(audited)	
		(in ₱ millions)	
Institutional Banking Loans by Customer Type			
Corporate	1,341,409	1,445,882	1,631,145
Corporate	1,295,203	1,389,298	1,562,137
Financial Institutions	13,183	26,070	22,482
Wholesale/International Desks	33,023	30,514	46,526
Commercial	673,491	724,439	806,538
Total	2,014,900	2,170,321	2,437,683

The Institutional Banking Group provides a wide range of products and services to its customers, including term loans, revolving credit lines, foreign currency loans, infrastructure loans, and trade finance.

The Institutional Banking Group is composed of Corporate Banking (**Corbank**) which manages relationships with large corporates, financial institutions and foreign companies, and Commercial Banking (**Combank**) which is focused on the middle-market segment.

Corporate Banking

Corbank services the largest corporate and financial institutions in the Philippines. Most of Corbank's corporate clients are based in the Philippines and are engaged in the manufacturing, financial services, wholesale and retail trade or real estate sectors, including several large multinational corporate clients.

Corbank provides a wide range of products and services to its customers, including term loans, revolving credit lines, foreign currency loans, infrastructure loans, trade finance, and other cash management products and services. Corbank also offers omnibus credit lines for its large corporate customers, allowing customers to draw on such credit lines in the form of a short-term loan or to utilise for trade financing or other forms of credit.

As at 31 December 2022, 2023 and 2024, accounts of large corporate customers represented approximately 66.6%, 66.6% and 66.9%, respectively, of the Bank's total loan portfolio. Corporate lending are mostly for project finance, acquisition-financing, corporate finance and working capital.

Commercial Banking

Combank primarily serves the middle-market companies which are among the next 5,000 largest in the Philippines in terms of revenues, as well as SMEs. Most of the Bank's commercial customers are engaged in the manufacturing, retail and trade sectors.

As at 31 December 2022, 2023 and 2024, Combank's lending to the middle-market segment accounted for approximately 33.4%, 33.4% and 33.1%, respectively, of the Bank's total loan portfolio.

Financial Institutions

Through Financial Institutions, the Bank offers correspondent banking services to its financial institutions clients through a wide network of international correspondent banks. These correspondent banking functions include facilitating documentary credits, offering inter-bank credit facilities and managing Philippine fund transfers processes. Corbank's correspondent banking unit is also able to undertake credit evaluation of proposed counterparties, market the Bank's products to financial institution clients and assess the benefits of various product proposals from correspondent providers.

Cross Border and International Desks

The Bank's Cross Border and International Desks (**CBID**) business was organised to capitalise on opportunities present in the growing regional and global financing arena. It develops relationships with Japanese, Mainland Chinese, Taiwanese, Singaporean, Korean and other Asian companies, as well as North American and

European commercial interests in the Philippines. Services include project and trade finance, factoring, leasing, cash management, trust, investment advisory, foreign exchange, insurance, and other ancillary services.

CBID provides cross-border finance supported by export credit agencies, rated export-import banks and other foreign banks from member countries of the Organisation for Economic Development and Cooperation, and multilateral organisations. CBID provides its eligible clientele wholesale funds available from Government Financial Institutions for specialised financing purposes.

Branch Banking

The Bank's branch network is the primary means of offering deposit services to customers, including CASA and time deposits in Pesos, U.S. dollars and other foreign currencies. The Bank's principal depositors are individuals in the Philippines. As at 31 December 2022, 2023 and 2024, total deposits were ₱3.2 trillion, ₱3.6 trillion and ₱3.8 trillion, respectively, with Peso deposits representing approximately 84.3%, 86.4% and 87.5%, respectively, of the Bank's deposits and the remainder denominated in foreign currencies, principally U.S. dollars. As at 31 December 2024, the Bank had approximately 18.8 million deposit accounts. As at 31 December 2024, the Bank's branch network comprised of 1,791 domestic branches (including 569 BDO Network branches) and two foreign branches. Each of the Bank's branches is connected and networked to the Bank's IT systems and infrastructure and offers full banking services. The Bank is the first bank in the Philippines to offer extended hours of operations at all of its branches, including weekend hours. The Bank believes its longer banking hours allow it to meet the banking needs of its customers more efficiently.

The Bank provides 24-hour banking services through its 4,922 ATMs facilities which are located in branches and at off-site locations, such as shopping malls, 411 CAMs, and 481 branch universal machines as of 31 December 2024. Customers are given access to the ATM facilities through BDO International ATM cards, which are issued to check and savings account holders. The Bank is a member of the Expressnet and Megalink ATM consortia, allowing customers to use ATM terminals operated by other banks in the consortia. Clients can also use ATM terminals worldwide that are part of the Cirrus-Maestro network. Branch Banking manages the entire branch network of the Bank. Branch Banking monitors each branch's profitability, and each branch accounts for its own expenses and revenues. Each branch is subject to monthly spot audits, as well as a more comprehensive annual audit. Each of the Bank's branches has electronic security systems and armed guards. All of these services are provided by independent contractors. The Bank also ensures that the amount of cash held in the vaults of its branches is maintained within authorised limits. The Bank continues to maintain adequate insurance coverage for loss and theft.

The Bank was recognised as the Best Bank in the Philippines for 2022-2024 by the Alpha Southeast Asia, Best Bank in the Philippines for 2019-2024 by the Global Finance, Best Bank in the Philippines for 2023-2024 by Finance Asia, and the Best Bank in the Philippines for 2024 by Euromoney. Additionally, it was recognised as the Most Selected Retail Bank in the Philippines and 3rd in Asia for 2022 by The Asian Banker and Best Managed Bank in the Philippines for 2022 by The Asian Banker.

Foreign Branch Operations

The Bank has a full-service branch in Hong Kong that caters to the needs of the overseas Filipinos and the local community. It currently offers deposit products, credit line, term loans and trade-related services for Philippine companies doing business with Hong Kong- and mainland China-based companies. The branch plans to expand its services by providing private banking services to Filipino high net worth individuals, cross-border retail services to Philippine executives in Hong Kong and servicing the deposit needs of the Fujian community.

The Bank also has a full-service branch in Singapore that connects business and retail communities based in Singapore to the Bank's extensive network and banking expertise in the Philippines, thus allowing fast and easy cross-border transactions for target clients as well as Singapore and Philippine corporates. The branch accepts Singapore Dollar- and US Dollar-denominated deposits, and also offers commercial loans and revolving credit lines. The branch allows customers to manage their accounts, remotely and at all times, through its online banking and mobile banking services.

Private Banking

The Bank provides investment, financial, and estate advisory services to a niche market of high net worth individuals, as well as corporate and institutional clients through its wholly-owned subsidiary, BDO Private Bank.

BDO Private Bank's open architecture platform allows it to provide bespoke or custom-made structures to address clients' specific financial needs.

As at 31 December 2022, 2023 and 2024, BDO Private Bank had ₱37.2 billion, ₱30.5 billion and ₱33.2 billion in total resources, respectively. BDO Private Bank's total assets under management as at 31 December 2022, 2023 and 2024 were at ₱569.2 billion, ₱593.3 billion and ₱637.2 billion, respectively.

As a testament to its pioneering spirit and strength in the domestic private banking market in terms of market share, performance and recognition, BDO Private Bank's recent awards include: Philippines' Best Domestic Private Bank for 2024 by Euromoney Global Private Bank Awards, Best Private Wealth Management Bank in the Philippines for 2024 by Alpha Southeast Asia (awardee since 2008), Philippines' Private Bank of the Year for 2023-2024 by Asian Banking & Finance Retail Banking Awards, Best Private Bank in the Philippines for 2015-2023 by Global Finance Best Private Banks, Best Digital Private Bank in the Philippines for 2022-2023 by Asiamoney Private Banking Awards, Best Private Bank in the Philippines for 2010-2023 by The Asset Triple A Private Capital Awards, and Best for Family Office Services in the Philippines for 2023 by Asiamoney Private Banking Awards.

Rural Banking

Through its rural bank subsidiary, BDO Network, the Bank offers financial products and services including salary loans, deposits, cash management, remittances and bills payments to the unbanked and underserved segments in provincial areas. In 2018, BDO Network successfully implemented its micro, small and medium roll-out of over 100 sites throughout the Philippines to increase coverage of its target market. As at 31 December 2024, BDO Network had a network of 569 branches and banking offices across the Philippines. BDO Network's total assets were ₱87.2 billion, ₱108.0 billion and ₱124.1 billion as at 31 December 2022, 2023 and 2024, respectively, while total capital funds stood at ₱11.5 billion, ₱12.8 billion and ₱15.7 billion, respectively.

In October 2018, the Bank announced that it entered into an agreement with Osmanthus Investment Holdings Pte. Ltd. (Singapore) (**Osmanthus**) in relation to Osmanthus's acquisition of a 15% stake in ONB, and the transaction was completed on 16 May 2019. The Bank believes that its partnership with Osmanthus will further strengthen BDO Network's strategic foothold in the microfinance business and contribute to the government's efforts at improving financial inclusion. On 26 March 2022 and 24 September 2022, the Bank's Board of Directors approved the additional equity investment in BDO Network via the subscription of common shares of up to ₱1.7 billion and ₱4.25 billion, respectively, with the latter to be infused in tranches depending on the business need of BDO Network. The subscriptions amounting to ₱1.7 billion, ₱2.55 billion and ₱1.49 billion were paid in August 2022, October 2022 and June 2024, respectively. The capital infusion was made to support BDO Network's business expansion.

On 11 February 2019, the Bank disclosed BDO Network signed an agreement with Rural Bank of Pandi Inc. (**RBPI**) for the acquisition of RBPI's banking business in Bulacan. On 31 October 2019, BDO Network completed its purchase of the recorded gross loan receivables and assumption of the recorded deposit liabilities of RBPI.

On 30 June 2021, the board of directors of BDO Network approved the conversion of the bank from a rural bank to a savings bank. This was ratified by BDO Network's shareholders on 13 August 2021 and approved by the BSP on 20 January 2022. Philippine SEC approval was obtained on 27 December 2024 and the application for Certificate of Authority to operate as a thrift bank was submitted to the BSP on 17 January 2025.

Product Management

Product Management is responsible for managing the different product businesses offered to clients. Product Management is composed of consumer banking, which is responsible for consumer products and services including the Bank's credit card business; treasury; transaction banking, covering cash management, electronic payments and settlements, and remittances; investment banking; trusts and investments; leasing and finance; life insurance; insurance and reinsurance brokerage; and traditional and online securities brokerage.

Consumer Banking

The Bank offers an expanded range of consumer finance products, including residential mortgages, auto loans, personal loans and credit card services. As at 31 December 2022, 2023 and 2024, consumer-related loans comprised approximately 22.8%, 23.8% and 24.4%, respectively, of the Bank's total loans.

A table showing the Bank's consumer loans by main type is found below.

	As at 31 December		
	2022	2023	2024
		(audited)	
		(in ₱ millions)	
Consumer Loans by Type			
Credit Cards	127,921	162,047	215,382
Real Estate.....	295,461	314,065	334,310
Auto Loans	80,953	90,682	103,304
Personal Loans	61,717	78,151	92,627
Business Loans	25,869	29,540	37,443
Employee Loans	3,714	3,992	4,482
Total	595,635	678,477	787,548

Credit Cards

The Bank initially operated its credit card business through a subsidiary, BDO Card Corporation. During the merger with EPCIB in 2007, BDO also acquired Equitable Card Network (ECN), which was EPCIB's vehicle for its card business. The acquisition of the ECN portfolio added strategic value to the Bank's existing credit card business. Aside from its significant number of cardholders, the ECN portfolio provided an extensive merchant base, the largest credit card merchant acquirer in the Philippines. The acquisition of the American Express Bank Philippines, Inc.'s U.S. dollar and Peso card portfolios in 2007 further strengthened its position in the credit card market. The consolidation of these businesses has led to enhanced efficiency, substantial synergies and cost savings and has contributed significantly to the Bank's strategic goal of expanding its share of the consumer lending market.

The Bank's credit card business remains the industry's leading card issuer and largest merchant acquirer. As at 31 December 2022, 2023 and 2024, the Bank had combined cards-in-force of 2.7 million, 3.5 million, and 3.8 million, respectively, and had a receivable portfolio of ₱127.9 billion, ₱162.0 billion and ₱215.4 billion, respectively.

The Bank currently offers American Express Blue, Cash Card and Express cards; Visa Classic, Gold and Platinum cards; JCB Lucky Cat, Gold and Platinum cards; Union Pay Gold and Diamond; and, Mastercard Shopmore. Due to increased competition in the market, annual fees are often waived for the first year for new credit cardholders.

Real Estate

The Bank offers home mortgage loans to individuals for home acquisition, construction, improvement and refinancing of their property. Consumer lending tailors loan terms, which offer customers competitive rates and more flexibility regarding their repayments. Home mortgage loans have maturities of up to 20 years. These are typically payable in monthly amortisations with interest rates that are repriced periodically based on prevailing market rates, although borrowers also have fixed rate options.

End-buyer tie-ups with reputable real estate developers largely contributed to the Bank's total home mortgage loan portfolio of ₱295.5 billion, ₱314.1 billion and ₱334.3 billion, respectively, as at 31 December 2022, 2023 and 2024, respectively. Through these tie-ups, the Bank also purchases home loan receivables and wholesale real estate portfolios via its Contract to Sell (CTS) Receivables Financing Program from developers that indirectly finance sales to their buyers. These loans usually provide full recourse to the developer. These CTS transactions may be converted into regular end-buyer financing by the Bank upon loan application approval by the Bank. All of the Bank's home mortgage loans are secured by a first ranking legal charge over the property. In the case of loans to certain corporate borrowers, the Bank often requires personal guarantees to be given by appropriate officers of the borrower as additional security. Traditionally, the Bank, as well as other lenders, have

required home mortgage borrowers to have an equity interest equal to at least 30.0% of the value of the property. Due to an increase in competition in the mortgage industry, however, many borrowers are now able to secure mortgages for certain types of residential property from lenders, including the Bank, with a 20.0% down payment.

When a borrower falls in arrears with its mortgage payments, it can either agree to a voluntary disposition of the property to the Bank or the Bank may commence foreclosure proceedings. It generally takes between six and 12 months to foreclose mortgaged collateral, which is then typically sold by public auction or through brokers on behalf of the Bank. However, the individual mortgagor or any of its creditors having a lien over the collateral continues to have the right to repurchase such collateral within one year of completing foreclosure in return for payment of principal and interest owed plus the Bank's out-of-pocket expenses.

Auto Loans

The Bank provides auto financing to individuals for the acquisition of mainly new cars, buses and other types of vehicles. The Bank's retail auto loans are typically between ₱700,000 and ₱1.0 million and for 12- to 60-month terms, with the average tenor being three years. The applicable interest rate is generally fixed with amortising repayment schedules over the term of the loan.

Continued strategic partnerships with auto dealers remain a competitive advantage of the Bank. As at 31 December 2022, 2023 and 2024, the Bank's auto loan portfolio stood at ₱81.0 billion, ₱90.7 billion and ₱103.3 billion, respectively.

The Bank aims to deliver to prospective auto and home buyers fast processing times, competitive rates, flexible payment terms and innovative loan products. The Bank's nationwide branch footprint enables it to efficiently serve its customers.

Personal Loans

The Bank offers personal loans in amounts from ₱10,000 to ₱2,000,000. Payment is made through salary deduction for loans to employees of certain corporate customers, and through post-dated checks, over the counter payments, through electronic channels or automatic debit arrangements for all other customers.

As at 31 December 2022, 2023 and 2024, the Bank's personal loan portfolio stood at ₱61.7 billion, ₱78.2 billion and ₱92.6 billion, respectively.

Employee Loans

As at 31 December 2022, 2023, and 2024, the Bank's employee loan portfolio stood at ₱3.7 billion, ₱4.0 billion, and ₱4.5 billion, respectively.

Treasury

The Bank's Treasury Group has the primary responsibility of managing the Bank's sources of funding, and is tasked with ensuring that the Bank has adequate liquidity at all times. As part of this function, Treasury manages the Bank's domestic and foreign currency denominated investment instruments. Treasury actively engages in securities dealership, foreign exchange trading and derivatives transactions for its own account, as well as for the accounts of individual and institutional investors. Client requirements are serviced through the Treasury Marketing unit and the Bank's branch network. The customers of the Bank's Treasury Group include domestic and offshore banks, insurance companies, financial institutions, corporations, SMEs, high net worth individuals and retail companies.

The Bank believes it is among the top interbank dealers in foreign exchange and government securities in the Philippine financial markets. The Bank has received numerous awards and recognition for its treasury activities, including the Best FX Bank for Structured Hedging Solutions and Proprietary Trading Ideas Best FX Bank for Retail Clients in Alpha Southeast Asia's 15th Annual Fund Management Awards 2024. Global Finance World recognized the Bank as Best Foreign Exchange Bank in the Philippines for 2017-2020, 2023-2024. The Bank's Treasurer, Dalmacio D. Martin, was awarded Asia's Best CFO (Investors Relations) for 2020-2024 by Corporate Governance Asia 14th Asian Excellence Award 2024.

Trading and Investment Securities

The Bank's Treasury Group manages the securities trading and investment portfolios of the Bank. As an Accredited Government Securities Dealer, the Bank has been an active participant in the primary and secondary trading of Government securities. The Bank, as one of the largest participants in the Philippine foreign exchange market, is a fixing bank in the Philippine Dealing System.

As at 31 December 2022, 2023 and 2024, the Bank's net trading and investment securities stood at ₱641.7 billion, ₱824.8 billion and ₱876.1 billion, respectively, and accounted 15.8%, 18.4% and 18.0%, respectively, of the Bank's total resources. For the years ended 31 December 2022, 2023 and 2024, gross revenues from investment securities stood at ₱22.5 billion, ₱33.8 billion and ₱43.0 billion, respectively, which represented 11.5%, 13.9% and 16.2%, respectively, of the Bank's total operating income for such periods. As at 31 December 2022, 2023 and 2024, approximately 77.5%, 83.2% and 82.8%, respectively, of the Bank's trading and investment securities portfolio were in government securities while the balance was in corporate issue bonds, derivative financial assets and equity securities.

The following table sets out, as at the dates indicated, information relating to the Bank's total investment portfolio

	As at 31 December		
	2022	2023 (audited) (in ₱ millions)	2024
Investment Portfolio			
Government bonds	519,714	686,515	725,549
Other debt securities ⁽¹⁾	112,414	131,437	141,165
Total debt securities	632,128	817,952	866,714
Non-debt securities ⁽²⁾	2,637	2,911	3,219
Derivative financial assets ⁽³⁾	8,613	6,070	8,291
Total⁽⁴⁾	643,378	826,933	878,224

Notes:

- (1) Other debt securities consist mostly of debt securities issued by corporates in the Philippines.
- (2) Non-debt securities include shares of stocks and preferred shares.
- (3) Derivative financial assets include forwards and swaps.
- (4) Gross of allowance.

Derivatives

The Bank's derivatives license allows it to act as an end-user and as a dealer/broker of specific derivative instruments such as swaps, forwards and options.

Transaction Banking

The Bank provides a wide range of transaction-based services for both corporate and retail customers through its transaction banking group (**Transaction Banking**).

The Bank's goal is for Transaction Banking to build long-term value and consistent earnings growth through multi-product relationships with customers. The Bank expects this will translate into a low-cost and stable source of funds for the Bank that will improve the overall risk-revenue ratio of the Bank's portfolio.

Transaction Banking is divided into corporate and retail market teams to provide a focused market approach in terms of coverage, customised product offerings and service delivery.

Cash Management Services

The Bank offers high value-added cash management solutions to large corporations, financial and foreign institutions (including Government financial institutions and Government-owned and controlled

corporations). The cash management services offered by the Bank to these institutions include collections, disbursements, liquidity management, account services, payments, electronic banking services and retail payment services.

The Bank's corporate transactional banking customer base has continuously grown over the years. The Bank believes this growth in customers was the result of the Bank's innovative product offerings including modern payment services as well as solutions that cater to the customers' specific requirements, such as services for receiving payments from retailers and wholesalers through online banking channels, facilitating cashless transactions at the point-of-sale (**POS**) terminals and providing safe and efficient services to monitor payments to the customer's suppliers and employees.

Throughout the years, the Banks' cash management department has been recognised with various awards including:

- Euromoney (Cash Management – Market Leader in the Philippines for 2020)
- Asian Banking & Finance Whole Banking Awards (Philippines Domestic Cash Management of the Year)
- Alpha Southeast Asia (Best Cash Management Bank in the Philippines for 2008-2009, 2016-2024; Best Cash Management Solution in the Philippines 2022)

Electronic Banking

The Bank provides secure electronic banking channels which allow and make it more convenient for its customers to access their deposit, credit card and other BDO accounts through a complete array of online, mobile banking and phone banking facilities. These channels allow customers to check account balances, monitor and place funds in trust investments, pay bills, transfer funds to other BDO accounts, send money to anyone, buy prepaid mobile reload, reload BDO cash cards, reorder checkbooks, view account transaction history, access and download credit card and checking account electronic statements with images of issued checks for checking accounts anytime from anywhere in the world.

Internet Banking

Transaction Banking offers internet banking to both individual and corporate clients. Using industry-standard security measures, the Bank's internet banking platform allows clients to perform their banking transactions at their own convenience by allowing access to their accounts.

Retail customers can view their account balance, credit card statements, and other accounts such as trust investments online. They can also pay bills, transfer funds to their own or other enrolled accounts, reload a BDO Cash Card, buy load for their prepaid mobile phone account, order checkbooks, execute wire transfers and issue stop payment orders. With mobile internet banking, customers can also access the Bank's internet banking platform from their mobile phone's web browser for more banking convenience.

Corporate customers can transfer funds and make bulk payments, as well as retail payments through cash card and corporate checks via the Bank's corporate internet banking platform. It also provides consolidated information to facilitate liquidation management. An internet facility is also available to process warehouse payable and credit suppliers' accounts on due dates.

Phone Banking

The Bank utilises interactive voice response service technology to provide retail customers access to their accounts, and make banking transactions such as balance inquiry, bills payment, fund transfers, BDO Cash Card reload, prepaid mobile phone reload and checkbook reorder via a touchtone phone.

Mobile Banking

The Bank, via its mobile banking (**MB**) app, enables customers to manage their accounts remotely at all times. The Bank's MB app features a full suite of banking services, which allows customers to conduct account balance/s and transaction history inquiry; send money; pay bills; reload prepaid mobile number; reload cash card; request checkbook; stop payment (check); enroll additional accounts, billers, and pre-paid mobile number; change password and update customer information. Customers are also able to lock enrolled debit cards and change passwords through the MB app.

Automated Teller Machines (ATM)

The Bank's ATMs allow customers to withdraw cash, avail of credit card cash advances, check account balances, transfer money, pay bills, top up prepaid phones, reload cash cards, reorder checkbooks, change PINs and activate personal online banking enrollment at any of the ATM terminals nationwide which, as at 31 December 2024, numbered 4,922 ATMs.

Cash Accept Machine (CAM)

The Bank's CAMs allow customers to deposit cash to their account and other BDO accounts through any of the in-branch and offsite locations in key cities and business districts nationwide. CAMs, which can accept up to 200 notes per transaction, allow real-time crediting of deposits. Other card-based transactions include balance inquiry, fund transfer to own and other BDO accounts, bills payment, prepaid mobile reload, PIN change, and personal online banking activation. Cash deposit and payment of bills not requiring enrolment may also be performed without a card. As at 31 December 2024, the Bank had 411 CAMs.

Branch Universal Machine

The branch universal machine is a combination of services of the Bank's ATMs and CAMs with added services. It allows clients to deposit checks and update passbooks easily, even without the assistance of a branch personnel. As at 31 December 2024, the Bank had 481 branch universal machines.

Retail Cards

The Bank offers a variety of prepaid and debit card solutions to enable cashless purchases at POS terminals, cash withdrawals worldwide and online shopping.

BDO Pay

Prior to BDO Pay, the Bank issued the BDO Cash Card to corporate clients. The BDO Cash Card was a reloadable, PIN-based electronic value card that enabled cardholders to withdraw cash and make payments without needing a BDO deposit account. Primarily used by companies for payroll and by remittance partners for payouts, the card provided a convenient solution for various financial transactions.

As a testament of the Bank's commitment to continuously enhance its corporate banking solutions, the BDO Cash Card is being phased out and transitioned to BDO Pay. BDO Pay is the Bank's innovative digital payment app, offering features such as Send and Receive Money, Pay Bills, and Scan or Show QR for seamless transactions.

BDO Pay is the first and only bank-backed mobile wallet in the country which differentiates itself from other conventional mobile wallets by having customers easily link their CASA account, debit, or credit cards as sources of payment within their wallet, allowing them to perform a full range of Peer-to-Peer (**P2P**) and Pay-to-Market (**P2M**) transactions straight from their accounts. BDO Pay also pioneers in allowing customers to Scan-to-Pay using their debit or credit cards, thus letting customers take full advantage of BDO's wide array of deals and promos across the Bank's different card brands in a safe and contactless way.

BDO ATM Debit Card

The BDO ATM Debit Card is a Peso-, US Dollar- or HK Dollar-denominated card linked to a BDO current or savings account. It carries the MasterCard and Visa brands that allow access to cash in over two million

Mastercard/Cirrus/Visa/Plus ATMs, cashless shopping in over 40 million establishments worldwide, and e-commerce. It allows balance inquiry, cash withdrawal, bills payment, cash card reload, and checkbook reorder. As at 31 December 2024, the Bank has over 4.5 million active debit cards.

Remittances

The remittance function involves purchasing foreign exchange for remittance transactions and delivering remittance payments through the Bank's branch network, "BDO Remit" counters inside SM malls, partner rural banks, pawnshops, and courier services. As at 31 December 2024, the Bank's remittance network comprised 16 remittance and representative offices worldwide (inclusive of two full-service branches in Hong Kong and Singapore).

For the years ended 31 December 2022, 2023 and 2024, the Bank's volume of OFW remittances amounted to U.S.\$17.7 billion, U.S.\$18.0 billion and U.S.\$17.9 billion, respectively.

The Bank was recognised by the BSP as the Top Commercial Bank in Generating Remittance from Overseas Filipinos for 2008 to 2010, and was given the 2010 Hall of Fame Award for 2013 to 2015. The BSP also named the Bank as Best Performing PhilPaSS Remit Participant for five straight years since 2011. The Bank also received an award as the Best Bank for Brand Building from MoneyGram in 2011.

As at 31 December 2024, the Bank had an approximately 52.0% market share of total remittance volume in the Philippines, based on BSP data on "Overseas Filipinos' Personal Remittances" information.

The Bank intends to (i) expand its existing international presence by establishing more partnerships and tie-ups with local and international correspondent banks and agents in Europe, the United States, Australia and the Middle East, (ii) rationalise its correspondent banking relationships and (iii) enhance its technology in electronic remittance processing to enable more efficient delivery of remittance services in the industry.

Investment Banking

The Bank provides investment banking services to its corporate clients through its majority-owned subsidiary BDO Capital. BDO Capital was established to address the capital raising needs of the Bank's larger corporate and institutional accounts, as well as Government-owned and controlled corporations and match these with the investment requirements of the more sophisticated investors including high net worth individuals, fund managers and other institutions. BDO Capital services include:

- Equity and quasi-equity underwriting and management — BDO Capital underwrites and manages public and private equity and quasi-equity transactions, including initial public offerings, follow-on offerings, rights issues, warrants issuances and tender offers. BDO Capital is also involved in quasi-equity transactions such as hybrid securities issuances and preferred shares issuances;
- Fixed income underwriting, packaging and syndication — BDO Capital offers clients arrangement and underwriting services in relation to corporate and government bonds, corporate notes and commercial paper. BDO Capital also offers term loan packaging and syndication services;
- Financial advisory — BDO Capital provides financial advisory services to companies to support their short-, medium- and long-term objectives. Advisory services comprise, among others, corporate and debt restructuring advice, as well as merger and acquisition advisory services;
- Direct equity investment — BDO Capital invests directly in existing and start-up enterprises or offers such investment opportunities to other clients; and
- Securitisation — BDO Capital acts as underwriter and selling agent for various asset-backed securities issued by special purpose entities.

BDO Capital was involved in major equity and debt fundraising exercises for the Government via Retail Treasury Bonds, Retail Dollar Bonds, and Premyo Bond Issues and private issuers such as Converge ICT

Solutions, Monde Nissin Corporation, MREIT, Inc., CEMEX Holdings Corp., Valorous Asia Holding Pte Ltd., SMC Group (San Miguel Corp. and Petron Corp.), Ayala Group (Ayala Corp., AC Energy, and Ayala Land, Inc.), Bloomberry Resorts and Hotels Inc., SM Group (SM Investments Corp. and SM Prime Holdings Inc.), Aboitiz Group (SN Aboitiz Power – Benguet Inc., Aboitiz Equity Ventures Inc., and Aboitiz Power Corp.), Del Monte Philippines, Inc., 8990 Holdings, Inc., 168 Gas Corporation, Filinvest Land Inc., City Savings Bank Inc., Wawa JVCo, Inc., VLL International Inc., and Energy Development Corp.

BDO Capital has received several awards from prestigious international publications and is recognized for its position as one of the leading investment banks in the Philippine equity and debt capital markets such as:

- Finance Asia recognized BDO Capital as the *Best Domestic Investment Bank* and *Best Domestic Equity House in the Philippines over the past 20 years (PLATINUM AWARD)* “for consistently providing quality and innovation to their clients over this time” and “for making the biggest difference in the countries FinanceAsia covers for the past two decades”. BDO Capital also won the *Best Investment Bank in the Philippines* (2006 to 2014 and 2017); *Best Equity House in the Philippines* (2006-2007, 2009-2010, 2013, 2017 & 2020); and *Best Bond House in the Philippines* (2007-2008, 2010, 2012 & 2015).
- Alpha Southeast Asia, the first and only institutional investment magazine focused on Southeast Asia awarded BDO Capital as the *Best Investment Bank in the Philippines* from 2007-2016, 2018, 2023-2024 (*13th win in 18 years*); *Best Bond House in the Philippines* from 2007-2010, 2012-2013, 2016-2017, 2022-2024 (*11th win in 18 years*); and *Best Equity House in the Philippines* from 2008, 2013, 2016-2017 & 2020-2021 (*6th win in 18 years*).
- For the 19th consecutive year, The Asset awarded BDO Capital as *Best Domestic Investment Bank/Best Corporate and Institutional Bank in the Philippines* from 2006-2024. Other awards received are *Project Finance House of the Year in the Philippines* (2015, 2017-2021, 2023-2024); *Best Equity House/Adviser in the Philippines* (2008, 2010, 2015 & 2017-2020, 2022); *Best Loan House/Adviser in the Philippines* (2015-2024); and *Top Arranger (Rank #2)* during The Asset Benchmark Research Asian Local Currency Bond Benchmark Review in 2022.
- BDO Capital also conferred the *Top Corporate Issue Manager/Arranger Award* from 2011 to 2023 by the Philippine Dealing and Exchange Corporation (PDEX). On the other hand, The Asia Pacific Loan Market Association awarded BDO Capital as *Syndicated Loan House of the Year (Philippines)* for 2013 to 2014, and in 2016 received an award as the *Top Investment Bank in the Philippines* by the Acquisition International.
- Furthermore, BDO Capital won the *Best for Equities in the Philippines* during the 2024 Euromoney Securities Houses Awards (awarded by Euromoney); *Best Domestic Investment House in the Philippines* (2013 - 2014, 2017 – 2024) by Global Finance; and for 7th consecutive year, BDO Capital remain as the Corporate and Investment Bank of the Year in the Philippines (2018-2024) awarded by Asian Banking & Finance.
- During the 9th IHAP Awards covering investment banking deals closed in 2023, BDO Capital swept all house awards including the “*Investment House of the Year*” and “*Deal of the Year Award*”. BDO Capital received the following awards: Investment House of the Year for 2016-2020, 2022-2023 (*7th win in 9 years*); Best Advisory House for 2017, 2019, 2021-2022; Best Equity House for 2016-2017, 2019, 2021-2023 (*6th win in 9 years*); Best Fixed Income House for 2015-2023 (*9th win in 9 years*); and Best Project Finance House for 2016-2017, 2019-2023 (*7th win in 9 years*).

Trust and Investments Group

The Bank provides trust and investment management services through its trust and investments group (BDO TIG). For corporate accounts, BDO TIG offers a wide range of products, including employee benefit plans, investment management and advisory services, escrow arrangements, registry/transfer agency services, paying/collection and other collateral agency services. For high net worth clients, BDO TIG provides access to customised portfolios via living trust and investment management accounts.

BDO TIG offers investment opportunities to its retail clients through a selection of Peso- and U.S. Dollar-denominated UITFs. UITFs are collective investment schemes that seek to offer returns comparable to those of larger investors. They are professionally managed according to specific investment objectives and invested accordingly in diversified portfolios. A client has the choice of investing directly in the UITFs or through the BDO Easy Investment Plan (**EIP**), a program that facilitates regular investing in selected BDO UITFs. The EIP is an investment scheme that assists individuals in attaining their financial goals and financial wellness through saving and investing.

In accordance with Philippine banking regulations, the Bank's Trust Committee oversees its trust business and approves all of its investment decisions.

Based on the latest published BSP trust industry data as of 31 December 2023, BDO TIG was the leader in the local trust and investments industry with over 32% market share. BDO TIG's assets under management (**AUM**) stood at ₱1.4 trillion as of 31 December 2024. Total AUM of BDO UITFs stand at ₱314 billion as of 31 December 2024.

BDO TIG's expertise, product offering and competitive investment performance were recently recognised by various international institutions. In 2024, BDO TIG was recognized by the Asset Asian Award as the Asset Management Company of the Year (awardee since 2018) and Digital Fund Manager of the Year. Additionally, the Alpha Southeast Asia acknowledged BDO TIG as the Best Asset Manager (Money Market Funds), Best Online & Mobile Platform (Asset Manager) and Best Fund Manager for Pension Mandates & Private Retirement Schemes while the Asian Banking & Finance awarded BDO TIG with the Retirement Solutions for 2024.

In September 2016, BDO TIG also became the first institution in the Philippines to be accredited as Personal Equity and Retirement Account (**PERA**) Administrator. In December 2017, the Bank rolled out the first PERA Online facility in the country. PERA, is the Philippine version of similar laws covering retirement savings vehicles prevalent and long standing in more developed countries such as IRA and 401K in the United States. PERA establishes the legal and regulatory framework for voluntary personal retirement plans as a means to promote savings mobilisation, capital market development and long-term fiscal sustainability. It provides employers with the opportunity to become agents in furthering these objectives and it provides Filipinos a means to supplement their future pension benefits from the Philippine Social Security System and Philippine Government Service Insurance System. BDO TIG also offers the following PERA investment funds: BDO PERA Short Term Fund, BDO PERA Bond Index Fund and BDO PERA Equity Index Fund.

The Bank continues to work to make PERA a viable retirement program for Filipinos by closely working with BSP, BIR and other stakeholders. The Bank continues to actively participate in BSP organized PERA Roadshows in educating and promoting PERA to the public.

Leasing and Financing

On 25 May 2019, the Board of the Parent Bank approved the restructuring of its leasing business. Under the restructuring, a new, privately held company, BDOFC, was incorporated on 9 December 2019 to carry on the leasing business of the Bank. BDOLF (which was renamed to Dominion Holdings Inc.), on the other hand, sold substantially all of its assets to the Bank, BDOFC and other subsidiaries.

On 28 January 2020, the Bank announced that it had entered into an agreement to sell a controlling stake in BDOLF, with the completion of the transaction subject to closing conditions. On 21 October 2020, BDOLF reported that it transferred 27.02% of its assets to BDOFC. The transfer of assets is part of the restructuring of the Bank's leasing business in order to optimize the financial needs of clients in light of new accounting regulations covering lease transactions. IFRS 16, which took effect on January 2019, requires leases to be recognized on-balance sheet, similar to a loan facility, which makes lease transactions a less attractive option to corporate borrowers compared to the previous arrangement. Under the restructuring, the Bank incorporated a new, privately held company BDOFC to provide customers continuing access to lease products and services. However, on 24 January 2021, the Bank's agreement for the sale of controlling stake in BDOLF lapsed due to the non-completion of certain closing conditions that were a pre-requisite to the sale transaction. The parties thereafter agreed to terminate the agreement. BDOLF remains a listed holding company of the Bank. On 7 March 2022, the Bank further disclosed that it is now contemplating keeping BDOLF, repurposed as a holding company, for its own

investment purpose or, depending on the terms of outstanding offers, pursue the sale of its shares with other prospective buyers.

On 18 July 2022, the Philippine SEC approved the change in name and purpose of BDOLF into Dominion Holdings, Inc, a holding company, which remains listed in the PSE.

Life Insurance

Through its wholly-owned subsidiary, BDO Life, the Bank offers life protection plans (whole life insurance and term life insurance); fund accumulation plans specifically designed to provide for children's education; savings and retirement plans (endowment and variable life insurance); and group insurance. To support premium growth, BDO Life has maintained an almost full coverage of the Bank's branches with financial advisers covering 99% of the Bank's branches as of 31 December 2024. BDO Life ranks 6th in terms of total premium income, and ranks 2nd in terms of traditional life protection based on traditional premium income as of 31 December 2024.

Insurance and Reinsurance Brokerage

The Bank's wholly owned insurance broker, BDO Insurance and Reinsurance Brokers, Inc. (**BDO Insure**), formerly BDO Insurance Brokers, Inc., offers a diverse portfolio of reputable insurance partners, which provide customers with the flexibility to choose providers and products who match their needs and financial capabilities. For the years ended 31 December 2022, 2023, and 2024, ₱7.9 billion, ₱8.3 billion and approximately ₱ 10 billion, respectively, of gross insurance premiums were arranged by BDO Insure.

In 2024, BDO Insure was granted with a Reinsurance Brokerage license by the Philippine Insurance Commission (IC), which will allow it to expand its offerings to cater reinsurance.

While BDO Insure has the technical capability to evaluate insurance and reinsurance risks, it does not underwrite or absorb insurance/reinsurance risks. The Bank has a bancassurance license from the BSP which permits the Bank to market and sell both life and non-life insurance products through its branch network. In 2023, BDO Insure was the industry leader in terms of commissions earned, based on rankings provided by the Philippine IC.

Securities and Online Brokerage

Through its subsidiary, BDO Securities Corporation (**BDO Securities**), the Bank engages in the stock brokerage business and deals in securities and related activities. BDO Securities is a trading participant of the PSE.

BDO Securities is a full-service brokerage firm that offers research, trading, and advisory services to both local retail and institutional clients. It also provides online trading services for listed Philippine stocks to individual investors through its online platform, which is duly certified by the PSE. Its online platform connects seamlessly with client accounts, offering real time deposit and withdrawal facilities, which allow clients to quickly respond to market movements. To complement its equity offering, BDO Securities also brokers fixed income securities and funds for client investment needs. The business also aims to provide stock brokerage services to institutional clients overseas and a platform to connect Filipino investors to the international stock markets.

BDO Securities was recognized as the Best Retail Broker in the Philippines for 2021-2022 by Alpha Southeast Asia.

Support and Delivery Management

Support and Delivery Management ensures that the Bank's operational needs are efficiently met, the Bank's processes aligned with its business objectives and its vision and corporate strategies realised. It is composed of the following: information technology, comptrollership, human resources, marketing communications, investor relations and corporate planning, and central operations. Also functionally grouped

under Support and Delivery Management are the Bank's Risk Management Group as well as Internal Audit and Compliance, both of which report to their respective Board-level committees, namely, the Risk Management Committee and the Audit Committee.

Information Technology Group

The Bank's IT Group is responsible for building functional and operational systems for the Bank. The IT Group maintains the application systems and manages the Bank's network, data centre, and other IT infrastructure to support the Bank's operations. It also provides technical and applications support to the various units in the Bank.

Comptrollership Group

The Bank's comptrollership group is primarily responsible for developing and maintaining an integrated financial information and control system within the framework of generally accepted accounting principles and applicable regulatory policies, managing all accounting operations of the Bank and its subsidiaries, and providing senior management with information necessary for planning, directing and controlling group operations.

Human Resources Group

The Bank's human resources group is responsible for the formulation, development and implementation of corporate-wide human resources strategies, policies, procedures and programmes covering recruitment and selection, talent management, manpower planning, training, performance management, organisation development, compensation and employee benefits and services.

Marketing Communications Group

The Bank's marketing communications group is responsible for marketing and communications strategies and operations that drive continuous brand-building and brand protection, as well as promote the Bank's products and services to various audience groups across relevant channels.

Investor Relations and Corporate Planning Group

The Investor Relations and Corporate Planning Group is responsible for financial planning and reporting, investor relations and industry research, macroeconomic research, and data analytics. Its functions include budget preparation, capital management, strategic project support, investor communications, industry analysis, and maintaining the IR website. It also involves providing macroeconomic insights, organizing investment committee meetings, managing data analytics programs, and developing models to predict future outcomes, with the objective of generating actionable insights for management.

Central Operations Group

The Bank's Central Operations Group is responsible for handling back end processing, ensuring smooth and efficient operations across various units in the areas of cash and check services, payment services, loan operations, trade operations, treasury operations and transaction services.

Corporate Social Responsibility

The Bank manifests and demonstrates its responsibility to society in various ways. In aspiring to be a world-class company, the Bank is mindful of its impact to society, particularly the financial inclusion of the unbanked and the underserved. The Bank puts great importance in instilling the core value of community involvement among its employees through its Employee Volunteer Program, with activities supporting Sustainable Development Goals addressing poverty, hunger, environmental conservation, education, and financial education. Going beyond local host communities, the Bank has taken on its role of contributing to national development by pursuing certain social initiatives with partner development institutions, including Gawad Kalinga, the International Federation of Red Cross and Red Crescent Societies, Philippine National Red Cross, UN Habitat, and Worldwide Fund for Nature and Philippine Business for Social Progress (which promotes environmental awareness).

BDO Foundation

BDO Foundation is the corporate social responsibility arm of the Bank. Founded in 2008, it is duly accredited by the Department of Social Welfare and Development (**DSWD**), Bureau of Internal Revenue (**BIR**) and Philippine Council for NGO Certification (**PCNC**).

BDO Foundation's advocacies fall under two program pillars: (1) disaster response and (2) financial inclusion. In line with its disaster response advocacy, BDO Foundation mounts relief operations in areas affected by natural or man-made disasters. The foundation mobilizes BDO volunteers for the immediate distribution of food, rice and drinking water in affected areas across the country. As part of its efforts to promote financial inclusion, BDO Foundation implements financial education programs in partnership with the BSP, government agencies, private entities and academic institutions. The partnership projects aim to improve financial literacy levels in the country through the institutionalization of financial education into the initiatives of partner organizations.

BDO Foundation also rehabilitates rural health units (RHUs) nationwide as part of efforts to help improve the primary healthcare delivery system in the Philippines. The Asian Banking & Finance Retail Banking Awards recognized BDO Foundation for Financial Inclusion Initiative of the Year- Philippines for 2023-2024.

Sustainability

Sustainability at BDO is fostered at the Board level, role modeled by senior executive leaders, executed by the business units and subsidiaries, and brought to life by the Bank's employees. The Bank's sustainable development framework and strategies are anchored on the United Nations Sustainable Development Goals. The goal is to "achieve strategic resilience by embedding sustainability principles in what we do business" and aims to embed sustainability principles when making decisions, assessing relationships, and creating products.

The Bank has long recognised and practiced sustainability in its business operations to achieve stability and resilience in the financial value chain. The Bank will soon issue its seventh Sustainability Report (**SR**) outlining the Bank's economic, environmental, social, and governance performance covering the period January 1 to 31 December 2024. The 2024 BDO SR will be in accordance with the GRI reporting standard, and in reference to the International Financial Reporting Standards 1 and 2, the Task Force for Climate-related Financial Disclosures recommendations, and the Sustainability Accounting Standards Board standards.

Sustainable Finance

The Bank's sustainable finance initiatives began in 2010, with the establishment of the Social and Environmental Management Systems (**SEMS**) policy that was created with the assistance of the IFC. The SEMS evolved into what is now the BDO Sustainable Finance Framework that covers social and environmental impact assessment and risk assessment, aligned with the Bank's Sustainability Philosophy and Strategies, as well as the UN Sustainable Development Goals.

BDO also set up the Sustainable Finance Desk in 2010, initially focused on financing renewable energy projects and later expanded in scope to cover sustainable finance for energy efficiency, climate-smart agriculture, green infrastructure, and clean transportation.

In 2017, the Bank was the first in East Asia and the Pacific to issue a green bond, with U.S.\$150 million in proceeds to finance seven large scale renewable energy projects. The issuance was the first green bond issued by a commercial bank in the Philippines, and the IFC was the sole investor. In May 2022, the Bank issued its maiden blue bond amounting to U.S.\$100 million with IFC as sole investor in the bond, for water and wastewater management projects to address water scarcity and ocean pollution in the Philippines.

In 2022 and 2024, the Bank issued three ASEAN Sustainability Bonds under its ₱365 billion bond programme. The net proceeds of these issuances aim to finance and/or refinance eligible assets as defined in the Bank's Sustainable Finance Framework and diversify the Bank's funding sources. See "*— Capital Raising Transactions — Peso-Denominated Senior Fixed Rate Bonds*".

Continuous Improvement in Sustainable Finance

The Bank stays true to its commitment to sustainable finance as it aligns with the BSP Circular 1085 issued in April 2020, which mandates all banks to transition to a Sustainable Finance Framework (**SFF**). The Bank supports the BSP's initiative to integrate sustainability not just in the banks' governance framework and risk management system, but more importantly, in its overall business strategy and operations.

The Bank's SFF is the most comprehensive in the Philippines, with 29 eligible categories for green, blue, social, and orange/gender financing. The SFF guides projects that the Bank considers as qualified for sustainable finance, particularly in its bond issuances. The Bank's SFF has been certified by Sustainalytics as aligned with international standards.

Employees

As at 31 December 2024, the Bank employed a total of 44,044 individuals, 23,321 of whom were engaged in a professional managerial capacity and classified as Bank officers.

Bank staff employees, other than those expressly excluded in the Collective Bargaining Agreement (**CBA**), are represented by the Banco De Oro Employees Association (the **Union**), an affiliate of the Associated Labor Unions. The Bank's CBA is in effect for a period of five years from 1 November 2020 to 31 October 2025 in so far as the representation aspect is concerned. Ratification by covered employees in the National Capital Region and provincial areas was conducted on 13 December 2020 with overwhelming acceptance from the Union members. Discussion on the renewal of economic provisions for the covered period 1 November 2023 to 31 October 2025 was successfully concluded.

The Bank has not suffered any strikes since it started operations, and the management of the Bank considers the maintenance of harmonious relations with its employees and the Union as one of its key human capital agenda.

The mandatory retirement age for the Bank is 60 years.

The aggregate compensation paid to employees by the Bank for the years ended 31 December 2022, 2023 and 2024 were ₱43.1 billion, ₱46.7 billion and ₱53.1 billion, respectively.

The Bank maintains a tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all of its qualified employees. Actuarial valuations are made every two years to update the retirement benefit costs and the amount of contributions. As at 31 December 2024, the fair value of the retirement plan assets of the Bank was ₱71.0 billion and the present value of the obligation was at ₱63.8 billion. After expenses and contributions made relative to the Bank's retirement fund, the Bank recognised a retirement benefit asset of ₱6.7 billion as at 31 December 2024.

Employee Insurance

The Bank provides its employees with group life insurance coverage from BDO Life, and group personal accident insurance which covers accidental death and dismemberment from CHUBB Insurance (formerly ACE Insurance), in line with good business practice and in accordance with Philippine standards. Insurance premium payments for these policies are paid entirely by the Bank.

Legal Proceedings

Details of material proceedings involving the Bank are set out in Note 34.1 of the notes to the audited financial statements included in this Offering Circular. In addition, the Bank may be subject to various legal proceedings and claims that arise in the ordinary course of its operations.

Applicability of RR 4-2011

On 15 March 2011, the BIR issued Revenue Regulations No. 4-2011 (**RR 4-2011**) regarding the alleged violation relating to the proper allocation of costs and expenses amongst income earnings of banks and other financial institutions for income tax reporting purposes. RR 4-2011 essentially prescribed the method of allocation of cost and expenses such that when computing the amount allowable as deduction from regular banking unit operations, all costs and expenses should first be allocated between the regular banking unit and foreign currency deposit unit / expanded foreign currency deposit unit or offshore banking unit.

On 6 April 2015, 19 banks (**Petitioners**) filed a Petition for Declaratory Relief with Application for Temporary Restraining Order and/or Preliminary Injunction (the **Petition**), with the Regional Trial Court (**RTC**) of Makati. The Parent Bank and BDO Private Bank are among the Petitioners in Civil Case No. 15-287 assailing the validity of RR 4-2011. In the Petition, the Petitioners claimed that there is no provision in the National Internal Revenue Code which justifies the issuance of RR 4-2011 and that the scope of RR 4-2011 unduly expands the power of the BIR to allocate a taxpayer's costs and expenses. The Petitioners also claimed that RR 4-2011 limits their rights to claim ordinary and necessary expenses as deductions.

On 25 May 2018, the RTC declared RR 4-2011 null and void. The writs of preliminary injunction issued by the RTC on 25 April 2015 and 28 February 2018 were also made permanent, enjoining the Department of Finance (**DOF**) and BIR from implementing RR 4-2011 and prohibiting them from issuing a preliminary assessment notice or final assessment notice, or deciding any administrative matter pending before it, according to or in relation to said regulation.

On 10 July 2018, the DOF and BIR filed a Motion for Extension of Time to File a Petition for Review on Certiorari (**Motion for Extension**). The Supreme Court granted the Motion for Extension.

On 9 August 2018, Petitioners filed a Petition for Review on Certiorari dated 1 August 2018 (the **2018 Petition**) to assail the RTC decision based on the following grounds: (i) the RTC had no jurisdiction over petitions assailing the constitutionality and validity of tax laws, rules and regulation, and other administrative issuance of the BIR, and that it is the Court of Tax Appeals that has exclusive jurisdiction to determine the constitutionality or validity of tax laws, rules and regulations issued by the Commissioner of Internal Revenue; and (ii) RR 4-2011 is a valid regulation issued pursuant to the rule-making power of the DOF and the BIR.

In a Resolution dated 27 March 2019, the Supreme Court ordered the respondents to file their Comment on the 2018 Petition. On 5 August 2019, the respondents filed its comment on/Opposition to the Petition for Review on Certiorari. All other respondents have their respective Comments and/or Oppositions to the 2018 Petition.

In a Decision dated 1 December 2021, the Supreme Court denied the Petition filed by DOF and BIR. No Motion for Reconsideration was filed by DOF and BIR. Supreme Court Decision became final and executory on 7 June 2022 and recorded in the Book of Entries of Judgments.

First e-Bank

In 2002, First e-Bank (**FeB**) experienced liquidity problems prompting the Philippine Deposit Insurance Corporation (**PDIC**) to invite several banks to propose a solution for FeB's bailout. PDIC entered into contract with the Parent Bank wherein consideration of the assumption by the Parent Bank of FeB's liabilities in the maximum amount of ₱10.0 billion. As part of the contract, PDIC will provide the Parent Bank ₱10.0 billion of financial assistance and PDIC will receive FeB's assets to recover said financial assistance.

About ₱5.0 billion of the financial assistance was released to the Parent Bank and the remaining ₱5.0 billion was deposited in escrow with BDO TIG in accordance with the escrow agreement dated 23 October 2002 entered into by the Parent Bank, PDIC, and BDO TIG. In August 2016, PDIC authorized the release of a total amount of ₱4.650 million from escrow inclusive of proportional interest. However, as at 26 August 2016, the amount of ₱1.224 billion remains in escrow, which includes: (i) ₱602 million, which covers assets the Parent Bank still considers capable of delivery worth ₱214 million and the remaining assets PDIC classified as undeliverable; and (ii) all interest earnings thereon. Unable to agree on the release of the remaining amount in escrow, on 20 September 2016, PDIC filed a Complaint for Specific Performance and Damages against the Bank, which case was raffled to RTC Makati City Branch 60. On 14 October 2016, the Bank filed its Answer to the Complaint

affirming that it has assumed ₱10.0 billion in liabilities of FeB and is thus entitled to release of the remaining escrow of ₱1.224 billion.

In a judgment dated 31 May 2018, the Regional Trial Court of Makati dismissed the complaint, granted the Bank's counterclaim and ordered BDO TIG to immediately release the remaining escrow amount plus interests, to the Bank. PDIC filed a Motion for Reconsideration but the same was denied by the same court. PDIC then filed a Notice of Appeal. In the decision dated 15 June 2020, the Court of Appeals (CA) dismissed PDIC's appeal. PDIC filed Motion for Reconsideration but the same was denied by the CA in a Resolution dated 25 January 2021. PDIC filed a Petition for Review with the Supreme Court.

On 18 June 2018, the Bank received an amount of ₱1.243 billion for the full termination of escrow. As at 31 December 2021, the difference between the amount received and the balance of the amount in escrow is presented as part of "Others" under the Bank's "Other Liabilities" account, pending the resolution of the appeal filed by the counterparty.

The case is still pending before the Supreme Court as of December 31, 2022.

Subsidiaries and Affiliates

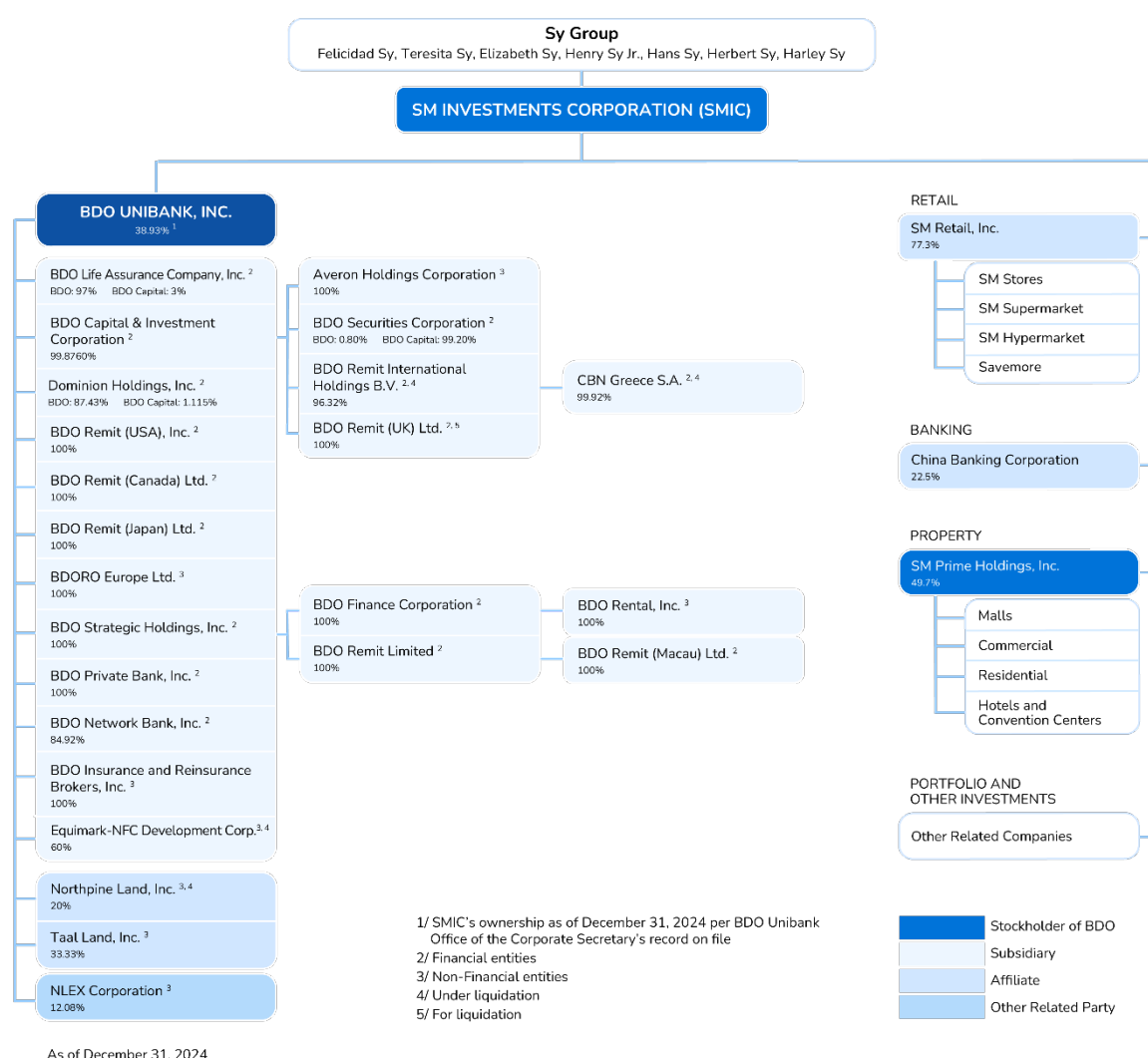
BDO's diverse subsidiaries and investments in allied undertakings provide an extensive range of banking and other financial services. As at 31 December 2024, the Bank's subsidiaries and associates are as follows:

Philippine Subsidiaries	Per cent. Interest Held
BDO Capital & Investment Corporation	99.88%
BDO Insurance & Reinsurance Brokers, Inc.	100%
BDO Private Bank, Inc.	100%
BDO Strategic Holdings, Inc.	100%
BDO Securities Corporation	99.88%
Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.)	88.54%
Averon Holdings Corporation	99.88%
BDO Finance Corporation	100%
BDO Rental, Inc.	100%
Equimark — NFC Development Corporation ⁽¹⁾	60%
BDO Network Bank, Inc.	84.92%
BDO Life Assurance Company, Inc.	100%
Foreign Subsidiaries	Per cent. Interest Held
BDO Remit (USA), Inc.	100%
BDO Remit Limited.	100%
BDO Remit (Macau) Ltd.	100%
BDO Remit International Holdings B.V.	96.20%
BDO Remit (Canada) Ltd.	100%
BDO Remit (Japan) Ltd.	100%
BDO Remit (UK) Ltd.	99.88%
BDORO Europe Ltd.	100%
CBN Greece S.A.	96.13%
Associates	Per cent. Interest Held
Taal Land, Inc.	33.33%
Northpine Land Inc.	20%
NLEX Corporation (formerly Manila North Tollways Corporation)	12.08%

Note:

(1) As of the date of this Offering Circular, the company is under liquidation.

An organisational chart of BDO's subsidiaries and associates as at 31 December 2024 appears below.



Subsidiaries

BDO Capital & Investment Corporation

BDO Capital is the investment banking arm of the Bank that started operations in March 1999. BDO Capital was established to address the capital raising needs of the Bank's larger corporate and institutional accounts, as well as Government-owned and controlled corporations and match these with the investment requirements of the more sophisticated investors including high net worth individuals, fund managers and other institutions. See "— Product Management — Investment Banking".

BDO Insurance & Reinsurance Brokers, Inc.

BDO Insurance Brokers, Inc. is a wholly owned insurance broker of the Bank. It began commercial operations in September 1997 as an insurance intermediary for the Bank, its customers, and the Bank's affiliates, including the SM Group. See "— Product Management — Insurance and Reinsurance Brokerage".

BDO Private Bank, Inc.

BDO Private Bank, Inc., a wholly owned commercial bank subsidiary of the Bank, was acquired on 29 August 2003. See "— Relationship Management — Private Banking".

BDO Strategic Holdings, Inc.

BDO Strategic Holdings, Inc. (**BDOSHI**), formerly, EBC Investments, Inc. is a domestic corporation licensed to operate as a holding company. BDOSHI, which is wholly owned by the Bank, directly owns BDO Remit and BDOFC.

BDO Securities Corporation

BDO Securities Corporation (**BDO Securities**) a 99.88%-owned subsidiary, was incorporated in the Philippines on 25 September 1995 to engage primarily in the stock brokerage business and to deal in securities and all activities directly connected therewith or incidental thereto. See “— *Product Management — Stock Brokerage*”.

Dominion Holdings, Inc. (formerly BDOLF)

Dominion Holdings, Inc. (formerly BDOLF) was incorporated in 1981 and was listed in the PSE on 6 January 1997. In July 2022, the company was renamed Dominion Holdings, Inc. and converted to a holding company. See “— *Product Management — Leasing and Financing*”.

Equimark-NFC Development Corporation

Equimark-NFC Development Corp. is 60% owned by the Bank and 40% owned by China Non-ferrous Metals Industry. The company has a joint venture project with Avida Land, an Ayala subsidiary, involving two residential condominium towers in Makati City. As of the date of this Offering Circular, the company is under liquidation.

BDO Network Bank, Inc. (BDO Network)(formerly One Network Bank, Inc. (A Rural Bank of BDO)(ONB))

BDO Network is 84.92% owned by the Bank. See “— *Relationship Management — Rural Banking*”.

BDO Life Assurance Company, Inc. (formerly Generali Pilipinas Life Assurance Company)

In March 1999, the Bank established Generali Holding, a joint venture holding company with Generali, Jerneh Asia Berhad (**Jerneh Asia**) and Vantage Equities, Inc., to enter into life and general insurance businesses. Generali is one of the largest insurance groups in the world, while Jerneh Asia is a member of the Kuok Group of Companies, one of the largest corporate conglomerates in Malaysia, providing a wide range of general, marine and medical insurance products. Subsequently, BDO Capital acquired the 10% holdings of Vantage Equities, Inc. in Generali Holding. Generali Holding is effectively 40% owned by the Bank and 60% by Generali Asia, which, in turn, is 60% owned by Generali and 40% owned by Jerneh Asia.

Generali Pilipinas Life Assurance Company, Inc. (**Generali Assurance**) and Generali Pilipinas Insurance Company, Inc. (**Generali Insurance**) were both incorporated in July 1999 as wholly-owned subsidiaries of Generali Holding and were subsequently launched in March 2000 to serve as the operating companies for life and general insurance, respectively. Generali Assurance and Generali Insurance are among the largest capitalised insurers in the Philippine insurance industry and are positioned to provide the Bank with an opportunity to become a one-stop financial shop, providing a wide range of insurance products and services through its branches.

On 9 June 2015, the Bank announced that it concluded an agreement to terminate the joint venture vehicle GPHC, the parent firm of life insurer GPLAC and non-life insurer GPIC. In 2016, the Bank took full control of GPHC and GPLAC, which were subsequently renamed BDO Life Assurance Holdings Corp. and BDO Life Assurance Company Inc., respectively. BDO Life Assurance Holdings Corp. was merged into BDO Life Assurance Company Inc. with the latter as surviving entity. See “— *Product Management — Life Insurance*”.

BDO Remit (USA), Inc.

BDO Remit (USA), Inc., a wholly owned subsidiary, was incorporated in California on 15 February 1991. It offers a full range of remittance services to the Philippines through its head office in Daly City and its agents in California and other states. It also holds state licenses in Alaska, Hawaii, New Jersey, and the US Virgin Islands.

BDORO Europe Ltd.

BDORO Europe Ltd., a wholly owned subsidiary, was originally intended to be a banking subsidiary in the United Kingdom (“UK”) and was registered with the Companies House on 30 May 2012. With the pandemic and unfavorable business and political conditions in the UK, the Bank has temporarily put on hold its application for a banking license until conditions improve. BDORO Europe Ltd. Is currently leasing out the real estate property it acquired in 2013.

BDO Remit (Canada) Ltd.

BDO Remit (Canada) Ltd., a wholly owned subsidiary, was incorporated on 23 June 2014 with licenses in British Columbia and Ontario. The company, which is registered as a money service business, will primarily provide remittance services to individual and corporate clients in Canada for credit/payment to their beneficiaries in the Philippines.

BDO Remit (Japan) Ltd.

BDO Remit (Japan) Ltd., a wholly owned subsidiary, was incorporated in Tokyo, Japan on 18 August 2014. The license to operate as a fund transfer business company was granted by Kanto Financial Bureau (FSA) on 2 December 2015. Its remittance office, located at Zenken Plaza II, 1F & 2F, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan, started operations on 1 April 2016 and offers a full range of remittance services to Overseas Filipino Workers in Japan.

Associates

NLEX Corporation

NLEX Corporation (formerly Manila North Tollways Corporation), where the Bank has a 12.08% ownership, is the builder and concessionaire of the North Luzon Expressway, and is involved in all aspects of tollway operations – from toll collection to traffic management and from motorists’ assistance to roadway maintenance. The other shareholders of NLEX Corporation are Metro Pacific Tollways North Corporation, Egis Investment Partners Philippines, Inc., GlobalFund Holdings Corporation, and the Philippine government.

Taal Land, Inc.

Taal Land, Inc. is 33.33% owned by the Bank. It owns 25% of Jaka Tagaytay, developer of the Splendido resort.

NorthPine Land, Inc.

NorthPine Land Incorporated, where the Bank holds a 20% interest, is a real estate company involved in horizontal development targeting the middle-income to high-end housing market. Current projects are located in Cavite, Laguna and Rizal. The other shareholders of the company are Hong Kong Land, Inc., San Miguel Properties, Inc. and Metrobank.

Other companies in the BDO Group

BDO Remit Limited

BDO Remit Limited (**BDO Remit**), a wholly owned subsidiary of BDOSHI, was incorporated on 7 February 2001 initially under the name of Hatid Yaman Remittance Company Limited. On 15 September 2004 it was renamed as BDO Remittance until it changed to its current legal name on 3 August 2009. It offers specialised remittance services to cater to the needs of Filipino workers and migrants in Hong Kong who regularly send money to the Philippines. BDO Remit offers secure, fast, reliable and convenient remittance service to the Philippines through its office in Worldwide House.

BDO Remit (Macau) Limited

BDO Remit (Macau) Ltd., a wholly owned subsidiary of BDO Remit, was incorporated on 18 December 1997 initially under the name of PCI Express Padala. On 6 May 2010, it was incorporated under its current legal name, BDO Remit (Macau) Ltd. The subsidiary office extended its presence by opening its second and third

branches in 2010 and 2014, respectively. To date, there are three offices located in China Plaza, Circle Square and Taipa, offering a full range of remittance services to Overseas Filipino Workers in Macau.

BDO Rental, Inc.

BDO Rental, Inc., a wholly owned subsidiary of BDOFC, was incorporated on 10 March 2005. Licensed to engage in renting and leasing equipment (except finance lease), it started commercial operations on 30 June 2005.

Averon Holdings Corporation

Averon Holdings Corporation, a wholly owned subsidiary of BDO Capital, is a holding company engaged primarily in the leasing business. Its building located in 6780 Ayala Avenue, Makati City is accredited with the Philippine Economic Zone Authority (**PEZA**).

BDO Finance Corporation

BDOFC, a wholly owned financing company of BDOSHI, was incorporated on 9 December 2019. It is a privately held company which provides customers with continued access to lease products and services. See “— *Product Management — Leasing and Financing*”.

RISK MANAGEMENT

The Bank is exposed to risks that are particular to its lending and trading businesses and the environment within which it operates. The Bank's goal with respect to risk management is to ensure that it identifies, measures, controls and monitors the various risks that arise from its business activities, and that it strictly adheres to the policies and procedures which are established to address these risks.

Risk Management

The Bank's risk management begins at the highest level of the organization. At the helm of the risk management infrastructure is the Board of Directors (the **BOD**) which 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 Bank's tolerance for risks, as well as, its business strategy and risk philosophy. The BOD has constituted the Risk Management Committee (the **RMC**) as the board-level committee responsible for the development and oversight of the risk management program. Recognizing 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 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, information technology (**IT**) risk, information security and cyber-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 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 consideration of their potential effects 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 Bank's shareholders.

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 optimise the risk-reward balance and maximise 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.

In the performance of its function, the RMG observes the following framework:

- It is responsible for policy formulation in coordination with the relevant businesses/functions and ensures that proper approval for the manuals/policies is obtained from the appropriate body.
- It then disseminates the approved policies to the relevant businesses/functions after which, pertinent authorities are delegated down to the businesses/functions to guide them in the conduct of their businesses/functions. The RMG then performs compliance monitoring and review to ensure approved policies are adhered to.
- It is responsible for clarifying interpretations of risk policies/guidelines raised by business heads/units.

- When adverse trends are observed in the account/portfolio, the RMG is responsible for flagging these trends and ensuring relevant policies for problem accounts/portfolio management are properly applied.
- The RMG is responsible for the direct management of accounts in the Bank's non-performing loans/property-related items in litigations portfolio and ensures that appropriate strategies are formulated to maximise collection and/or recovery of these assets.
- It is also responsible for regular review and monitoring of accounts under its supervision and ensuring that the account's loan classification is assessed timely and accurately.

Liquidity Risk Management

Liquidity risk is the risk that there could be insufficient funds available to repay depositors, to fulfill commitments to lend, or to meet any other liquidity commitments. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (MCO) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a liquidity contingency plan to ensure adequate liquidity under both business-as-usual and stress conditions.

The Bank's principal source of liquidity is comprised of ₱109.7 billion of cash and ₱1.7 trillion of short-term deposits with maturities of less than one year as at 31 December 2024. In addition to regulatory reserves, the Bank maintains what it believes to be a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be converted to cash quickly. Of a net portfolio of trading and investment securities of ₱641.7 billion, ₱824.8 billion, and ₱876.1 billion as at 31 December 2022, 2023 and 2024, ₱38.7 billion, ₱195.3 billion and ₱160.0 billion, respectively, comprised trading and investment securities with remaining maturities of one year or less. The Bank also uses the interbank market as a means of maintaining a sufficient level of liquid assets. It had interbank loan receivables of ₱446.2 billion, ₱421.1 billion and ₱340.0 billion as at 31 December 2022, 2023 and 2024, respectively. In addition, the Bank manages liquidity by maintaining a loan portfolio with a sufficient proportion of short-term loans. As at 31 December 2024, ₱1.1 trillion, or 32.7%, of the Bank's loans and other receivables comprised loans with remaining maturities of one year or less, including past-due loans.

Interest Rate Risk Management

A critical element of the Bank's risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Bank's net interest income. The Bank prepares gap analysis to measure the sensitivity of its resources, liabilities and off-book items to interest rate fluctuations. 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 maturity and re-pricing profile of its interest sensitive resources and liabilities. An interest rate gap report is prepared by classifying all assets and liabilities into various time buckets according to contracted maturities or anticipated repricing dates, or based on applicable behavioral assumptions if more applicable. 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.

The following table sets forth the interest rate gap position for the Bank's operations as at 31 December 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
	(in ₱ millions)					
Resources:						
Cash and other cash items.....	—	—	—	—	109,744	109,744
Due from BSP/other banks	23,560	2,476	—	—	314,005	340,041
Trading and investment securities.....	93,212	66,782	384,359	303,826	27,929	876,108
Loans and other receivables - net	1,709,633	515,177	934,694	122,546	(9,532)	3,272,518
Investment securities and other assets for life insurance contracts – net.....	1,494	4,514	22,326	49,552	44,025	121,911
Other resources – net*	—	2	3	—	155,723	155,728

Total Resources	1,827,899	588,951	1,341,382	475,924	641,894	4,876,050
Liabilities and Equity:						
Deposit liabilities.....	1,533,289	228,105	13,091	383	2,019,159	3,794,027
Bills payable	80,624	85,412	95,434	—	—	261,470
Insurance contract and other liabilities for life insurance contracts**.....	2,556	(3,893)	(2,242)	64,880	30,170	91,471
Other liabilities	—	200	1,317	2,508	147,662	151,687
Total Liabilities	1,616,469	309,824	107,600	67,771	2,196,991	4,298,655
Equity	—	—	—	—	577,395	577,395
Total Liabilities and Equity	1,616,469	309,824	107,600	67,771	2,774,386	4,876,050
On-book gap	211,430	279,127	1,233,782	408,153	(2,132,492)	—
Cumulative on-book gap.....	211,430	490,557	1,724,339	2,132,492	—	—
Contingent assets	62,007	292	—	—	—	62,299
Contingent liabilities.....	37,183	—	24,584	—	—	61,767
Off-book gap.....	24,824	292	(24,584)	—	—	532
Net periodic gap.....	236,254	279,419	1,209,198	408,153	(2,132,492)	(532)
Cumulative total gap.....	236,254	515,673	1,724,871	2,133,024	532	—

Notes:

(1) Customer deposits maturing in one month reflect Philippine market characteristic of large numbers of short-term deposits that are generally re-deposited.

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

** Insurance Contract and Other Liabilities for Life Insurance Contracts with maturities of more than three months to one year and more than one year to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Credit Risk Management

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Bank. The Bank manages its credit risk and loan portfolio through the RMG. The RMG undertakes several functions with respect to credit risk management, including credit analysis, risk ratings for corporate accounts, and performance monitoring of credit risk rating and scoring models for both corporate and consumer loans. It also ensures that the Bank's credit policies and procedures are adequate to meet the demands of the business.

The RMG also subjects the Bank's loan portfolio to a regular portfolio quality review, credit portfolio stress testing, and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

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 groups of borrowers. Such risks are monitored on a regular basis and subject to an annual or more frequent review. Approvals for credit limits are secured from the Bank's Credit Committee.

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 obtaining collateral and corporate and personal guarantees. On the industry segment, set limits and exposures are monitored and reported to the RMC.

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.

Market Risk Management

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, analysing and measuring relevant or likely market risks. The Market and

Liquidity Risk Management Unit recommends market risk limits based on relevant activity indicators for approval by the Bank's RMC and Board of Directors.

The Bank's market risk management limits are generally categorised 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 dealing 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** — The RMG computes the earnings-at-risk 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.

The limitations of the VaR methodology are recognised 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.

Foreign Exchange Risk Management

The Bank manages its exposure to foreign exchange risk by maintaining foreign currency exposure within 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 the higher of the absolute value of the sum of net long positions or the sum of the net short positions in individual currencies, per BSP prescribed formula. The BSP imposes a cap of 25% of qualifying capital, or U.S.\$150 million, whichever is lower, on a bank's consolidated net open foreign exchange position. The Bank's foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Bank's branches as well as foreign exchange trading with corporate accounts and other financial institutions. As a major market participant in the Philippine Dealing System, the Bank 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. In addition, it also reports to the BSP on the respective foreign currency positions of its subsidiaries.

As at 31 December 2024, the Bank's net foreign exchange exposure was U.S.\$33 million inclusive of the foreign exchange position of the Bank's subsidiaries, reflecting an oversold foreign exchange position.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

Funding

Sources of Funding

Deposits, bills payable and capital are the main fund sources of the Bank. The following table sets forth an analysis of the Bank's principal funding sources and the average cost of each funding source.

	As at 31 December					
	2022		2023		2024	
	Amount	Ave. cost ⁽¹⁾	Amount	Ave. cost ⁽¹⁾	Amount	Ave. cost ⁽¹⁾
	(in ₱ millions, except Average Cost, which is in percentage terms)					
Deposits By type						
Demand	459,511	0.1	504,763	0.1	567,904	0.1
Savings	2,077,360	0.1	2,050,709	0.1	2,143,915	0.1
Time	684,012	2.7	1,012,078	5.7	1,082,208	6.2
	3,220,883	0.5	3,567,550	1.5	3,794,027	1.9
By currency						
Philippine Peso	2,715,833	0.5	3,082,690	1.5	3,319,599	2.0
Foreign currency	505,050	0.5	484,860	1.3	474,428	1.4
Total deposits	3,220,883	0.5	3,567,550	1.5	3,794,027	1.9
Borrowings⁽²⁾						
Philippine Peso	62,614	4.0	73,814	4.1	140,019	6.5
Foreign currency	136,277	2.7	115,768	4.2	121,451	4.6
Total borrowings	198,891	3.2	189,582	4.2	261,470	5.5
Total	3,419,774	0.7	3,757,132	1.6	4,055,497	2.1

Notes:

- (1) Average cost of funding represents total interest expense for the period, divided by the average daily liability for the respective period, expressed as a percentage.
- (2) For the purposes of this table, "borrowings" consists of bills payable and subordinated notes payable.

Deposits continue to be the Bank's main funding source, accounting for 89.1%, 90.1% and 88.3% of total funding sources as at 31 December 2022, 2023 and 2024, respectively. The Bank's deposits grew from ₱3.2 trillion as at 31 December 2022 to ₱3.8 trillion as at 31 December 2024. This growth was driven by increased marketing efforts by the Bank's branches and branch expansion. Out of the Bank's total deposits as at 31 December 2024, 87.5% of was denominated in Pesos, and mostly in tenors of less than one year, while approximately 12.5% were denominated in foreign currencies, predominantly U.S. dollars. The Bank's foreign currency deposits and funding are primarily handled through its FCDU operation, which is permitted to accept deposits and extend credit in foreign currencies. As at 31 December 2022, 2023 and 2024, the Bank's foreign currency deposits made up 15.7%, 13.6% and 12.5%, respectively, of its total deposits.

As at 31 December 2022, 2023 and 2024, approximately 78.8%, 71.6% and 71.5%, respectively, of the Bank's outstanding deposits were in the form of demand and savings deposits.

The Bank also sources funds through borrowings from local and foreign banks, deposit substitutes and rediscounting facilities booked under bills payable. As at 31 December 2022, 2023 and 2024, the Bank's total bills payable amounted to ₱198.9 billion, ₱189.6 billion and ₱261.5 billion, respectively. Approximately 31.5%, 38.9% and 53.6%, respectively, of bills payable were denominated in Pesos as at 31 December 2022, 2023 and 2024.

The Bank also maintains credit lines with domestic commercial banks and financial institutions in the interbank market primarily for liquidity management purposes. Interbank borrowings are typically of short-term duration of between one day and a few weeks and have historically accounted for a relatively minor portion of the Bank's total funding requirements. The Bank is generally a net lender in the interbank call loan market and funds sourced from net interbank borrowings are minimal and generally of short duration.

The BSP is a lender of last resort to the Philippine banking industry. The Bank has not had to resort to this facility but has managed its liquidity by participation in the interbank market in the Philippines. The Bank is a member of the PDIC, which insures all deposit accounts by a depositor maintained in the same right and capacity for up to a maximum of ₱500,000 per depositor. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

Long Term Negotiable Certificates of Deposit

The Bank's time deposit liabilities include fixed rate long-term negotiable certificates of deposit (LTNCDs) issued by the Parent Bank. On 27 September 2019, the Parent Bank issued ₱6.5 billion worth of LTNCDs with a rate of 4.000% per annum and a maturity date of 27 March 2025.

Capital Raising Transactions

Peso-Denominated Senior Fixed Rate Bonds

On 28 January 2022, the Bank issued ₱52.7 billion of senior fixed rate Sustainability Bonds with a rate of 2.900% per annum and maturity date of 28 January 2024.

On 29 January 2024, the Bank issued ₱63.3 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.0% per annum and will mature on 29 July 2025.

On 24 July 2024, the Bank issued ₱55.7 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.3% per annum and will mature on 24 January 2026.

Dollar-Denominated Senior Note Issuance

As at 31 December 2023 and 2024, the outstanding balance of the Bank's U.S. Dollar-denominated notes amounted to ₱47.3 billion and ₱49.6 billion, respectively.

On 20 February 2018, the Bank issued its maiden green bond amounting to U.S.\$150 million with IFC as the sole investor. The bond carried a fixed interest rate of 4.16% per annum and maturity date of 20 February 2025.

On 13 July 2020, the Bank issued Senior Notes with a face value of U.S.\$600 million at a price of 99.562%. The Senior Notes will mature on 13 January 2026 and bear a fixed interest rate of 2.125% per annum. The issuance was part of the Bank's U.S.\$5.0 billion Medium Term Note Program.

On 16 May 2022, the Bank issued its maiden blue bond amounting to U.S.\$100 million through an investment from the IFC. The bond, which has a tenor of seven years, expanded financing for projects that help prevent marine pollution and preserve clean water resources. The issuance marked a milestone for BDO for being the first private sector issuance for a blue bond in Southeast Asia.

Liquidity

Pursuant to regulations of the BSP, universal and commercial banks are required to maintain a reserve of 7% of Peso demand deposits and deposit substitutes. The required reserves shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP. With the implementation of the Liquidity Coverage Ratio (LCR) framework, banks are also required to hold sufficient High Quality Liquid Assets (HQLAs) that can be easily converted into cash to cover their net cash outflow over a 30-day period. Starting 1 January 2019, banks were required to maintain 100% minimum daily LCR and to report their LCR position monthly, on a solo basis, and quarterly, on a consolidated basis. The Bank has complied with the reserve and liquidity requirements for both the Peso and FCDU books.

As at 31 December 2022, 2023 and 2024, the Bank's liquid assets amounted to ₱ 1.4 trillion, ₱1.4 trillion and ₱ 1.4 trillion, equal to 34.2%, 32.0% and 29.4%, respectively, of the Bank's total assets. Liquid assets include cash and other cash items, due from BSP, due from other banks, interbank loan receivables and investment securities.

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

	Audited As at 31 December		
	2022	2023	2024
Liquidity Position			
Liquid Assets (in ₱ millions)	1,394.0	1,434.6	1,433.2
Financial Ratios (%)			
Liquid Assets-to-Total Assets	34.2	32.0	29.4
Liquid Assets-to-Total Deposits	43.3	40.2	37.8
Net Loans-to-Total Deposits	83.6	80.8	86.3

Lending

As at 31 December 2022, 2023 and 2024, the Bank's total loan portfolio (net of unearned interest or discount) on a consolidated basis amounted to ₱2.7 trillion, ₱2.9 trillion and ₱3.3 trillion, respectively, representing approximately 67.2%, 64.4% and 67.1%, respectively, of its total assets as at those dates. The Bank's gross loan portfolio grew at a compounded annual growth rate of 9% from 31 December 2022 to 31 December 2024, primarily as a result of the Bank's efforts to expand its client base and encourage loan utilisation of existing clients while managing credit quality, minimising funding risk and maintaining an appropriate asset mix.

	Audited As at 31 December		
	2022	2023	2024
Loans by Major Customer Type			
	(in ₱ millions)		
Large Corporates	1,341,392	1,445,882	1,631,145
Mid-Market	673,491	724,439	806,538
Consumer	595,652	678,476	787,547
Total	2,610,535	2,848,797	3,225,230

Industry Concentration

Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use; real estate activities; electricity, gas, steam and airconditioning supply; wholesale and retail trade; and manufacturing represent the largest sectors of the Bank's loan portfolio, representing 17.6%, 12.7%, 12.6%, 12.3%, 9.5% respectively, of the Bank's receivables from customers gross of allowance for ECL as at 31 December 2024. These sectors represented 15.9%, 12.8%, 13.0%, 12.5%, and 9.9%, respectively, of the Bank's receivables from customers gross of allowance for ECL as at 31 December 2023.

Under guidelines established by the BSP, the BSP considers that concentration of credit exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio or 10% of Tier 1 capital.

The following table sets forth an analysis of the Bank's loan portfolio (net of unearned interest or discount) by economic activity, as defined and categorised by the BSP:

	As at 31 December					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(in ₱ millions, except percentages)					
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	395,825	15.2	453,579	15.9	567,360	17.6
Real estate activities	324,074	12.4	363,830	12.8	410,256	12.7
Electricity, gas, steam and air-conditioning supply	281,036	10.8	369,626	13.0	405,938	12.6
Wholesale and retail trade	395,825	15.2	356,962	12.5	397,620	12.3

	As at 31 December					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(in ₹ millions, except percentages)					
Manufacturing.....	232,488	8.9	282,334	9.9	306,987	9.5
Financial and insurance activities.....	402,156	15.4	272,746	9.6	256,720	8.0
Information and communication.....	90,342	3.5	120,710	4.2	163,332	5.1
Transportation and storage....	87,256	3.3	111,991	3.9	158,473	4.9
Construction.....	90,712	3.5	96,994	3.4	103,261	3.2
Arts, entertainment and recreation	83,076	3.2	72,606	2.5	82,198	2.6
Education	71,731	2.7	74,033	2.6	82,186	2.6
Water supply, sewerage, waste management and remediation activities	38,760	1.5	46,112	1.6	52,768	1.6
Accommodation and food service activities.....	36,528	1.4	41,499	1.5	45,403	1.4
Human health and social service activities.....	31,875	1.2	34,431	1.2	39,406	1.2
Agriculture, forestry and fishing	15,642	0.6	33,163	1.2	35,865	1.1
Mining and quarrying.....	10,578	0.4	14,688	0.5	16,146	0.5
Administrative and support services	9,581	0.4	10,056	0.4	10,226	0.3
Professional, scientific, and technical activities.....	9,912	0.4	8,223	0.3	9,210	0.3
Public administrative and defense; compulsory social security.....	1,030	0.0	1,159	0.0	1,069	0.0
Other service activities.....	2,108	0.1	84,055	3.0	80,806	2.5
Total	2,610,535	100.0	2,848,797	100.0	3,225,230	100.0

The Bank maintains a flexible policy towards its exposure to various industries, in principle avoiding exposure of more than 20% to a particular industrial sub-sector of the economy, and 30% in the case of the manufacturing sub-sector. The distribution of the Bank's loan portfolio by industry is also subject to seasonal fluctuations.

Maturity

The following table sets forth an analysis of the Bank's receivables from customers (net of unearned interest or discounts) by maturity:

	As at 31 December					
	2022		2023		2024	
	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(in ₹ millions, except percentages)					
Due within one year	663,315	25.4	890,953	31.3	1,054,600	32.7
Due within one to five years	390,760	15.0	1,095,419	38.5	1,139,230	35.3
Due beyond five years	1,556,460	59.6	862,425	30.3	1,031,400	32.0
Total	2,610,535	100.0	2,848,797	100.0	3,225,230	100.0

Loan Currencies

As at 31 December 2022, 2023 and 2024, 89.1%, 91.0% and 91.8%, respectively, of the Bank's loan portfolio were denominated in Pesos and 10.9%, 9.0% and 8.2%, respectively, were denominated in foreign currency, a substantial proportion of which was denominated in U.S. Dollars.

	As at 31 December					
	2022		2023		2024	
	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(in ₱ millions, except Percentages)					
Peso	2,325,826	89.1	2,591,026	91.0	2,959,317	91.8
Foreign	284,709	10.9	257,771	9.0	265,913	8.2
USD	276,699	10.6	251,270	8.8	260,760	8.1
Yen	414	0.0	440	0.0	274	0.0
Others	7,596	0.3	6,061	0.2	4,879	0.2
Total	2,610,535	100.0	2,848,797	100.0	3,225,230	100.0

Interest Rates

As at 31 December 2024, a substantial portion of the Bank's total loan portfolio was on a floating interest basis. Loan pricing is set by the Bank's asset and liability committee on a weekly basis, and is driven by market factors, the Bank's funding position and the credit risk associated with the relevant borrower. The Bank sets interest rates for Peso-denominated loans based on the Bloomberg Valuation (BVAL) rate, and for U.S. dollar-denominated loans based on the U.S. Dollar SOFR. The margins on these interest rates, which range from 1% to 5%, are determined by reference to the credit risk of the relevant borrower.

The Bank's pricing policy with respect to its interest-bearing liabilities is also handled by the Assets and Liabilities Committee (**ALCO**) during its weekly meetings. CASA deposits typically pay no interest for deposits falling below a minimum maintaining balance. The basic rate of regular Peso savings account deposits that are above the minimum threshold is 0.0625% per annum.

The Bank actively manages interest rate risk by monitoring current market interest rates and assessing the impact of changes in interest rates on the Bank's net interest income. See "*— Risk Management — Interest rate risk management*" below.

Size and Concentration of Loans

The BSP imposes a limit on the size of a bank's financial exposure to any single person or group of connected persons to 25% of the bank's net worth (the **Single Borrower's Limit** or **SBL**). This limit does not apply to the following loans: (a) those secured by obligations of the BSP or of the Government; (b) those fully guaranteed by the Government as to the payment of principal and interest; (c) those secured by U.S. treasury notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted credit rating agencies; (d) those to the extent covered by the hold-out or assignment of deposits maintained in the lending bank and held in the Philippines; (e) those under letters of credit to the extent covered by margin deposits; and (f) those which the Monetary Board may, from time to time, specify as non-risk items. As at 31 December 2024, the Bank's SBL was ₱151 billion. The Bank has complied with this SBL for all of its loans.

As at 31 December 2022, 2023 and 2024, the Bank's ten largest borrowers accounted for ₱332 billion, ₱383 billion and ₱421 billion, respectively, or 12.7%, 13.5% and 13.0% of the Bank's outstanding loan portfolio of ₱2.6 trillion, ₱2.8 trillion and ₱3.2 trillion (excluding interbank loans).

The following sets forth a breakdown of total loans by principal amount as at 31 December 2024:

Principal amount of loans (in Pesos)	Percentage (per cent.)
Less than 5,000,000	22
5,000,001 to 10,000,000	4

10,000,001 to 15,000,000	2
More than 15,000,000.....	72
Total	100

Secured and Unsecured Loans

The Bank principally focuses on cash flows in assessing the creditworthiness of borrowers. However, it will secondarily seek to minimise credit risk with respect to a loan by requiring borrowers to pledge or mortgage collateral to secure the payment of loans. Where it has determined that collateralisation of a loan is desirable, the Bank's policy is to secure the full amount of the loan. As at 31 December 2022, 2023 and 2024, approximately 19.8%, 17.9% and 17.7%, respectively, of total loans were extended on a secured basis. Approximately 65.7%, 70.0% and 74.0%, respectively, of these secured loans are backed by real estate mortgages for each period.

The Bank's general policy with respect to securing loans is to over secure. With respect to loans secured by real estate mortgages, in accordance with BSP guidelines, the Bank's policy is that the maximum value of such loans should not be in excess of 80% of the assessed value of the property provided as security for such loans. The Bank appraises real estate collateral using internal appraisers, but utilises external appraisers for loans that are syndicated or involve sharing of collateral among lenders.

Credit Rating/Scoring System

The Bank has credit rating/scoring systems in place to assess the credit risk associated with a prospective or existing loan account for both the corporate and consumer lending business. The Bank's credit rating system uses a combination of quantitative and qualitative factors, which generally assess the financial position of the borrower.

For corporate or commercial borrowers with asset size in excess of ₱15.0 million, an internal credit risk rating system is used to evaluate creditworthiness by assessing the financial position of the borrower, its overall management, quality of operations, borrower condition (e.g., payment history and borrower behavior), and considers the facility structure and collateral/security arrangements.

For SME borrowers with asset size of up to ₱15.0 million, a credit scoring system is used to evaluate creditworthiness. It consists of factors related to both customer and collateral.

The RMG conducts the credit risk rating review for borrowing accounts with facilities of ₱20.0 million and over (within a defined set of criteria). For those not within their coverage, the credit rating review is conducted by the relationship manager in the Institutional Banking Group. The Bank updates the rating of an existing loan account regularly upon renewal of credit facilities, stand-alone term loan reviews, increases in credit exposures or when there are changes in the collateral structure of the facilities. However, the Bank may adjust the credit rating within a shorter period if there are identified factors which could affect the borrower's credit quality, or the Bank becomes aware of any adverse development with respect to the borrower or secured collateral.

On the other hand, application and behavior scorecards are adopted for the consumer loans portfolio. The scorecards are used for adjudication of new loan applications as well as in account management such as credit line increases and renewal.

Credit Approval Process

Before the Bank approves any extension of credit, the Bank first identifies the needs of the prospective borrower, analyzes the appropriateness of the exposure and evaluates any inherent risks. The Bank assigns an account officer to every prospective borrower to start the credit approval process. The account officer identifies the borrowing requirements of the client and assists in the preparation of the loan application together with the required documentary support. The account officer further determines whether a property appraisal is warranted and, if so, is involved in overseeing the appraisal process. The account officer also conducts bank checking and credit reviews of the prospective borrower with the assistance of the credit support units. For borrowers from the middle-market segments, the account officer will pay particular attention to validating the borrower's financial position from different information sources. For transactional lending, the account officer may focus more on the size and quality of cash flows from the transaction, and less on the financial position of the borrower itself.

The Executive Committee, which includes the Bank's Chairperson, the President, Bank Directors and Senior Credit Executives, undertakes the analysis and evaluation of the credit proposal based on the recommendations of the senior credit officers. The Executive Committee deliberates on the viability of the credit proposal in general, but, more particularly, on the appropriateness of the credit extension and risks involved.

Credit Monitoring and Review Process

Pursuant to the BSP's Manual of Regulations for Banks (the **Manual**), the Bank is required to establish a system of identifying and monitoring existing or potential problem loans and other risk assets and of evaluating credit policies with regard to prevailing circumstances and emerging portfolio trends. In compliance with this requirement, the Bank has established credit support units under the RMG to review and monitor individual accounts within a particular portfolio to identify existing and potential areas at deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

The evaluation of the individual loan accounts culminates in the classification of the account. The classification indicates the degree or gravity of the perceived problems of the account reviewed. The reviewed loan accounts are classified in accordance with the standard classifications set forth in the Manual.

The review and recommended classification of a loan account are sent for comments to the assigned account officer and thereafter forwarded to the applicable unit head and respective heads of Corbank and Combank for further review. Either the Bank's President, Vice Chairman or RMG head may give final approval of a loan account's classification.

The Bank and its subsidiaries will, from time to time and in the ordinary course of business, enter into loans with DOSRI. All such loans are on commercial, arm's length terms. The General Banking Law (Republic Act No. 8791) and BSP regulations require that the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 100% of the Bank's net worth or 15% of the Bank's total loan portfolio, whichever is lower. The amount of any loan to a DOSRI of the Bank, of which 70% must be secured, may not exceed the aggregate amount of their unencumbered deposits with the Bank and the book value of their paid-in capital investments in the Bank. The Bank is required to report the level of DOSRI loans to the BSP on a weekly basis.

As at 31 December 2022, 2023 and 2024, DOSRI loans accounted for ₱23.4 billion, ₱27.8 billion and ₱19.0 billion, respectively, or approximately 0.9%, 1.0% and 0.6% respectively, of the Bank's total loans. Of those amounts, ₱21.1 billion, ₱25.4 billion and ₱16.2 billion (which includes secured non-risk loans not subject to SBL ceiling), respectively, were accounted for by the SM Group as at 31 December 2022, 2023 and 2024, respectively.

Loan Loss Provisioning

The Bank classifies loans as non-performing in accordance with the guidelines of the BSP, which require banks to classify their loan portfolios based on perceived levels of risk to encourage timely and adequate management action to maintain the quality of their loan portfolios. These classifications are then used to determine the minimum levels of allowances for loan losses which banks are required to maintain.

For corporate and commercial loans, the Bank classifies non-performing loans based on four different categories established by the BSP, which correspond to levels of risk:

- "Loans especially mentioned" are loans which the Bank believes have potential weaknesses that deserve management's close attention, and which deficiencies, if left uncorrected, could affect repayment;
- "Substandard" loans are those which the Bank believes involve a substantial and unreasonable degree of risk to the Bank;
- "Doubtful" loans are those for which the Bank believes collection in full, either according to their terms or through liquidation, is highly improbable, and substantial loss is probable; and
- "Loss" loans are those which the Bank believes are impossible to collect or are worthless.

The appropriate classification is generally made once payments on a loan are in arrears for more than 90 days, but may be made earlier when the loan is not yet past due under certain circumstances, including where there is defective documentation with respect to the loan. Once interest on a loan is past due for 90 days, the Bank will create a provision in respect of the interest accrued during the 90-day period and classify the entire principal outstanding under such loan as past due, and it may initiate calling on all loans outstanding to that borrower as due and demandable.

The RMG monitors compliance with BSP regulations with regard to loan loss provisioning. The Bank reviews its risk assets on a portfolio basis at least annually and, since June 2004, by account on a monthly basis in accordance with prescribed policy guidelines and the relevant BSP categorisation.

The following is a summary of the risk classification of the Parent Bank's aggregate loan portfolio (as a percentage of total outstanding loans):

	Audited As at 31 December					
	2022		2023		2024	
	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(in ₱ millions, except Percentages)					
Classified						
Loans especially mentioned	51,424	2.0	42,958	1.6	32,187	1.0
Sub-standard	17,072	0.7	25,490	0.9	29,643	1.0
Doubtful	6,581	0.3	12,716	0.5	15,106	0.5
Loss.....	27,181	1.1	26,681	1.0	29,046	0.9
Total classified	102,258	4.1	107,845	3.9	105,982	3.4
Unclassified	2,421,237	95.9	2,649,632	96.1	2,994,525	96.6
Total	2,523,495	100.0	2,757,477	100	3,100,507	100

The Bank's allowance for loan impairments is made up of a specific component and a general unallocated component. For corporate loans, the specific component is based on the Bank's classification of individual loans as described above. The general component represents a blanket reserve required by the BSP, equivalent to 1% of the outstanding balance of unclassified loans other than restructured loans less non-risk loans, and 5% of the outstanding balance of unclassified restructured loans less the outstanding balance of restructured non-risk loans.

The Board has discretion as to how frequently it writes off its classified loans, provided that these are made against provisions for probable losses or against current operations. Prior BSP approval is required to write off a DOSRI loan account.

Past-due accounts of both Corbank and Combank are initially placed on a "watch list" for closer monitoring and supervision. Past-due loans are then referred to the Bank's Remedial Management Unit if the Bank has determined (i) such loans to be uncollectible, (ii) to terminate its relationship with the borrower or (iii) recovery of such loans will require special management.

Expected Credit Loss (ECL)

The Bank measures loss allowances based on ECL. At the end of the reporting period, the Bank assesses its ECL on a forward-looking basis by considering a broad range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The key elements used in the calculation of ECL are as follows:

- **Probability of Default (PD)** – an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- **Loss Given Default (LGD)** – an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD), or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial

instrument due from a counterparty and those the Bank would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.

- Exposure at Default (**EAD**) – represents the gross carrying amount of the financial instruments subject to impairment calculation; hence, this is the amount that the Bank expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Bank shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur, unless the drawdown after default will be mitigated by the normal credit risk management actions and policies of the Bank.

Remedial Management

The Remedial Management Unit directly supervises the management of past due loans that are referred to it. For problem loans management, the Bank has two specialised remedial management units to handle corporate/commercial loans and consumer loans. A problem account is assigned to an account officer who evaluates, determines and proposes the appropriate remedial recourse available to the Bank. Commercial solutions instituted include restructuring, payment arrangements, reduction of loan to serviceable level via sale of collateral and/or unencumbered assets or *dacion en pago* (payment in kind). In case a commercial solution ceases to be feasible, the Bank undertakes legal action, through its legal department, for either foreclosure of loan collateral or criminal/civil collection suits.

Foreclosed assets and assets conveyed to the Bank via *dacion en pago* goes to Bank's ROPA Management Team which monitors redemption, possession and consolidation of acquired properties. From past due loans, acquired assets are classified as ROPA. Eventually, an acquired property goes up for sale signaling end of the remedial process.

Taking into account cash or non-cash payments that can be derived from the borrower, account officers review and continually assess impaired values of each problem account. Furthermore, they compute for the present value of an account's expected/potential collection to determine any impairment in value. The impaired value is then compared with the credit classification and booked provision. Any adjustment, if necessary, is made accordingly.

All remedial actions require approval of the Bank's Management Credit Committee or Executive Committee depending on the amount of obligation and/or complexity of remedial action. Disposition of the Bank's acquired assets, likewise requires approval of the Executive Committee.

Non-Performing Loans (NPL) and ROPA

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

	As at 31 December		
	2022	2023	2024
	(in ₱ millions, except ratios, which are in percentages)		
Gross non-performing loans ⁽¹⁾	53,114	53,967	60,453
Net non-performing loans ⁽¹⁾	21,365	20,542	23,670
Total loans ⁽¹⁾	2,736,677	2,923,990	3,310,302
Gross non-performing loans to total loans (%) ⁽¹⁾	1.94	1.85	1.83
Net non-performing loans to total loans (%) ⁽¹⁾	0.78	0.70	0.72
ROPA — net.....	17,109	15,125	16,349
Non-performing assets ⁽⁵⁾	70,422	69,092	76,802
Non-performing assets as percentage of total resources (%)	1.73	1.54	1.58
Allowance for impairment of assets	74,886	84,061	89,238
Allowance for loan impairments ⁽⁶⁾	72,976	82,159	87,659
Allowance for ROPA impairments	1,911	1,902	1,580
Allowances for loan impairments as a percentage of total non-performing loans (%)	136.9	152.2	145.0

	As at 31 December		
	2022	2023	2024
	(in ₱ millions, except ratios, which are in percentages)		
Allowances for impairment of assets as a percentage of non-performing assets (%)	106.3	121.7	116.2
Total restructured loans	102,415	83,467	72,591
Current.....	91,793	70,646	55,131
Past due.....	10,571	12,769	17,411
In litigation	52	52	49
Restructured loans as percentage of total loans (%)	3.74	2.85	2.19
Write-offs.....	8,443	6,187	8,891

Notes:

- (1) Per BSP Circular 941. Excludes accrued interest receivables, unearned interests or discounts, and capitalised interest.
- (2) Non-performing assets comprise ROPA (gross) and non-performing loans.
- (3) Includes amount of appropriation to surplus reserves for general loan loss portfolio.

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

As at 31 December 2024, the Bank’s ten largest NPLs amounted to ₱8.1 billion or approximately 0.3% of the Bank’s total loans.

Sectorial analysis of non-performing loans (NPLs)

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

	As at 31 December					
	2022	per cent.	2023	per cent.	2024	per cent.
	(in ₱ millions, except percentages)					
Agriculture, forestry and fishing.....	1,060.8	2.0	1,107.6	2.0	1,867.8	3.0
Mining and quarrying	40.5	0.1	53.0	0.1	47.4	0.1
Manufacturing.....	5,209.3	9.6	5,203.4	9.5	9,141.8	14.9
Electricity, gas, steam and air-conditioning supply	22.1	0.0	22.2	0.0	6.7	0.0
Water supply, sewerage, waste management and remediation activities.....	5.5	0.0	5.1	0.0	4.2	0.0
Construction.....	5,734.3	10.6	6,179.5	11.3	1,488.4	2.4
Wholesale and retail trade.....	6,170.5	11.4	6,428.4	11.7	7,697.8	12.5
Transportation and storage.....	1,342.2	2.5	1,191.2	2.2	1,030.3	1.7
Accommodation and food services activities.....	369.0	0.7	233.1	0.4	182.5	0.3
Information and communication.....	868.4	1.6	854.1	1.6	819.0	1.3
Financial and insurance activities	52.3	0.1	54.8	0.1	111.8	0.2
Real estate activities	206.1	0.4	255.3	0.5	201.8	0.3
Professional, scientific and technical services	461.9	0.9	441.7	0.8	341.4	0.6
Administrative and support services.....	723.2	1.3	678.7	1.2	701.3	1.1
Public administrative and defense; compulsory social security.....	23.4	0.0	28.7	0.1	30.8	0.1
Education.....	725.0	1.3	955.8	1.7	1,145.1	1.9
Human health and social work activities	127.6	0.2	152.0	0.3	168.1	0.3
Arts, entertainment and recreation.....	36.0	0.1	36.1	0.1	18.7	0.0
Other service activities	8,613.6	15.9	6,835.0	12.5	5,940.3	9.7
Activities of private household as employers and undifferentiated goods and services.....	22,241.4	41.2	24,053.8	43.9	30,405.2	49.6

	As at 31 December					
	2022	per cent.	2023	per cent.	2024	per cent.
	(in ₱ millions, except percentages)					
Activities of extraterritorial organisations and bodies	0.0	0.0	0.0	0.0	0.0	0.0
Total	54,033.1	100.0	54,769.5	100.0	61,350.4	100.0

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

Foreclosure and Disposal of Assets

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

In the year ended 31 December 2024, the Bank sold ₱3.4 billion of acquired assets in ROPA. The Bank had a net ROPA of ₱17.1 billion, ₱42.4 billion and ₱33.8 billion, as at 31 December 2022, 2023 and 2024, consisting of various real estate properties and shares of stock in several companies.

Under the current regulations, the Bank is required to conduct impairment testing on its acquired assets, which becomes the basis for the provisioning levels. The Bank's valuation reserves on ROPA amounted to ₱1.9 billion, ₱1.9 billion and ₱1.6 billion, as at 31 December 2022, 2023 and 2024, respectively.

MANAGEMENT

Board of Directors

The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Bank. It is also responsible for the proper administration and management of the Bank's trust business.

The following table sets forth the persons who served as a Director of the Bank as at 31 December 2024:

Name	Position	No. of Years as Director
Teresita T. Sy.....	Chairperson / Non- Executive Director	first term: 28; second term: 17
Nestor V. Tan	Director/President and CEO	26
Dioscoro I. Ramos	Lead Independent Director	8
George T. Barcelon.....	Independent Director	5
Estela P. Bernabe	Independent Director	2
Vipul Bhagat.....	Independent Director	2
Franklin M. Drilon.....	Independent Director	1
Alfredo E. Pascual	Independent Director	4 months
Vicente S. Pérez, Jr.....	Independent Director	5
Jones M. Castro, Jr.	Non-Executive Director	12
Josefina N. Tan.....	Non-Executive Director	first term: 4; second term: 17

Teresita T. Sy, has been a member of the Board of Directors of BDO Unibank, Inc. (BDO) since 1977, and currently serves as Chairperson of the Board. Concurrently, she serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO: BDO Private Bank, Inc., BDO Finance Corporation, BDO Capital & Investment Corporation, BDO Foundation, Inc., and BDO Life Assurance Company, Inc. Ms. Sy also serves as Advisor to the Board of BDO Network Bank, Inc.

Ms. Sy is the Vice Chairperson of SM Investments Corporation and Advisor to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of the Board of SM Retail, Inc. A graduate of Assumption College with a degree in Bachelor of Arts and Science in Commerce major in Management, she brings to the board her diverse expertise in banking and finance, retail merchandising, mall and real estate development

Nestor V. Tan, is the President and CEO of BDO Unibank, Inc. He was elected to the Board of Directors on June 27, 1998. In addition to his role in BDO Unibank, Inc., he also holds the following positions in the BDO Group: Chairmanship of BDO Strategic Holdings, Inc. and BDO Network Bank, Inc.; Vice chairmanships and/or directorships in BDO Capital & Investment Corporation, BDO Finance Corporation, BDO Life Assurance Company, Inc., BDO Private Bank, Inc., and SM Keppel Land, Inc.; and Trusteeship of BDO Foundation, Inc

In addition, he is the Chairman of Bancnet, the operator of the electronic payment system, InstaPay, and the ATM switching utility for Philippine banks; and Chairman of Mastercard Asia Pacific Advisory Board. He is the past President, Chairman and Director of the Bankers Association of the Philippines. He is currently Trustee of De La Salle Medical & Health Science Institute and the former Chairman of the De La Salle University Board of Trustees.

Prior to joining BDO Unibank, Mr. Tan was Chief Operating Officer of the Financial Institutions Services Group of BZW, the investment-banking subsidiary of the Barclays Group. His banking career spans nearly four (4) decades and includes posts at global financial institutions, among them Mellon Bank in Pittsburgh, PA; Bankers Trust Company in New York, NY; and the Barclays Group in New York and London. He holds

a bachelor's degree in Commerce from De La Salle University and an MBA from the Wharton School, University of Pennsylvania.

Dioscoro I. Ramos, was elected to the Board of Directors of BDO Unibank, Inc. on January 9, 2016 and was appointed Lead Independent Director on April 23, 2021. Mr. Ramos concurrently holds Independent Director positions in BDO Private Bank, Inc. and BDO Securities Corporation. Mr. Ramos has been the Chief Executive Officer & Chief Investment Officer of RY&S Investments Ltd., Hong Kong since September 28, 2012. He was Head of Asia Financials Investment Research of Goldman Sachs Asia, LLC, Hong Kong from 1994 to 2011, and appointed Managing Director in 1998 and Partner in 2006. Prior to that, he was with Mellon Bank, N.A. with postings in Pittsburgh, Philadelphia, New York, and Hong Kong. Mr. Ramos is a Certified Public Accountant. He holds a Bachelor of Science degree in Business Administration and Accountancy, cum laude, from the University of the Philippines; and a master's degree in Business from Wharton School, University of Pennsylvania.

George T. Barcelon, was elected Independent Director of BDO Unibank, Inc. on April 22, 2019. He is currently the Chairman of the Philippine Chamber of Commerce and Industry (PCCI). He is the visionary behind Integrated Computer Systems, Inc. (ICS), one of the Top 1000 companies based in the Philippines, dedicated to providing effectual IT Solutions for small to large-scale businesses and institutions. For 45 years, ICS has provided its customers with technological expertise and quality services. As the president of a company with 400 employees whose success depends on uncompromising leadership, imagination, and careful quality control, Mr. Barcelon seeks to promote the values of Integrity, Commitment, and Service Quality, the cornerstones upon which ICS was built. He is also a board member of the Cardinal Medical Charities Foundation, Inc. in San Juan City, Philippines; and is involved in other business ventures and organizations. Mr. Barcelon graduated cum laude from De La Salle University, Manila and received a bachelor's degree in Chemical Engineering

Estela P. Bernabe, was appointed as Independent Director of BDO Unibank, Inc. effective July 31, 2022. Prior thereto, she was Senior Associate Justice of the Supreme Court of the Philippines. She served the Judiciary for 26 years as Justice of the Supreme Court and Court of Appeals, Judge of the Regional Trial Court of Makati City and Metropolitan Trial Court of the same city, and as Technical Assistant in the Office of the Court Administrator, Supreme Court of the Philippines. She also worked in various private and government offices, namely, China Banking Corporation, Paramount Finance Corp., National Home Mortgage and Finance Corp. and Bernabe Perlas Morte and Associates. She has over 40 years of experience in public and private legal practice. She earned her Bachelor of Science degree in Commerce (Banking and Finance) and graduated magna cum laude from St. Paul College of Manila, and obtained her law degree from the Ateneo de Manila University College of Law, graduating as class salutatorian.

She is also an Independent Director of San Miguel Food and Beverage, Inc. effective August 3, 2022, Petrogen Insurance Corporation effective March 23, 2023, Converge Information and Communications Technology Solutions, Inc. effective May 26, 2023, Philippine Judicial Academy (PHILJA) Development Center, Inc. effective November 13, 2023, and was elected member of the Board of Trustees of the Foundation for Liberty and Prosperity on December 6, 2022

Vipul Bhagat, was appointed as Independent Director of BDO Unibank, Inc. on January 8, 2022. Mr. Bhagat is a seasoned banking and finance professional with significant experience living and working globally, particularly, in the emerging markets over a 35+ years span. With development banking, investment and advisory experience with the International Finance Corporation (IFC, World Bank Group), most recently as Global Client Leader, he pioneered many firsts. Having lived in, while running various aspects of IFC in several emerging markets, (including Philippines, Thailand, China and India), he has deep on the ground expertise geared towards delivering Impact through investment and advisory interventions, especially in the financial and infrastructure sectors. He was a part of the management team of IFC's Climate Business and Public Private Partnership ("PPP") Departments which innovated blended finance approaches for meaningful transactions.

Mr. Bhagat's private sector experience includes stints with Deutsche Bank, Fannie Mae, and KPMG. He is a Chartered Financial Analyst (CFA) and a Certified Public Accountant (CPA), with an MBA in Finance and Management from the Wharton School of the University of Pennsylvania. He also holds a BS in Computer

Science. In December 2023, he was appointed a Visiting Fellow at the University of Cambridge (UK) Judge Business School.

Currently, he is a Board Member of a top tier US-regulated financial institution with a \$6B asset base (Bank-Fund Staff Federal Credit Union); Chairman of the Board of a US-based social enterprise (VisionSpring) providing eye care to poor and lower income segments in developing countries; Senior Adviser to a leading infrastructure consulting firm; Founding Advisory Board Member of the Wharton Alumni Club in Washington, DC and has served on various Boards and Advisory Committees of emerging market Corporates and Funds over the years

Franklin M. Drilon, was elected Independent Director of BDO Unibank, Inc. on October 25, 2023. He served in two (2) different branches of government in various capacities from 1987 to 2022. In the Senate, he served as Senate President, Majority Leader, Minority Leader and Chairperson of the Committee on Finance, as well as the Committee on Banks, Financial Institutions, and Currencies. In the Executive, he served as Executive Secretary, Secretary of the Department of Justice and the Department of Labor and Employment. He is one of the country's highly decorated Senators having served four (4) non-consecutive terms as Senator of the Philippines. He authored and sponsored numerous landmark laws including the GOCC Governance Act of 2011, Foreign Investments Act, Tax Incentives and Transparency Act and the Revised Corporation Code, to name a few.

He also served as Chairman of Philippine National Bank and as a Director of Land Bank of the Philippines. He thus brings added perspectives on Philippine finance and banking policy, regulations and operations. He is currently a Director of Phinma Education Holdings, Inc. and a Senior Counsel of ACCRA Law. He earned his Bachelor of Arts in Political Science, law degree and Doctor of Laws from the University of the Philippines Diliman. He placed third in the 1969 Bar Examinations and worked as a private practice lawyer before joining the government

Alfredo E. Pascual, was elected Independent Director of BDO Unibank, Inc. on August 31, 2024. From June 2022 to August 2024, he served as the Secretary of Trade and Industry, where he played a pivotal role in steering the Philippines through significant economic growth amid global challenges. Before joining the government, he was the President of the Management Association of the Philippines (MAP).

His commitment to good governance is evident through his leadership roles in various organizations. He was the Lead Independent Director of SM Investments Corporation and held independent director positions at Megawide Construction and Concepcion Industrial. Additionally, he served as the President and CEO of the Institute of Corporate Directors (ICD) and a Board Trustee of the Institute for Solidarity in Asia (ISA).

Mr. Pascual's career spans over five decades and is marked by transformative leadership in the public and private sectors, locally and internationally. From 2011 to 2017, he led the University of the Philippines (UP) as its 20th President, modernizing it and raising its global profile. He worked at the Asian Development Bank (ADB) for 19 years in various capacities, including Director for Private Sector Operations. At ADB, he promoted PPPs in infrastructure and investments in financial institutions across Asia. He represented ADB on the board of over a dozen portfolio companies in banking, venture capital, and manufacturing. Mr. Pascual was a finance professor at the Asian Institute of Management during the 1980s.

His contributions to governance and education have earned him numerous accolades, including honorary doctorates and the Presidential Lingkod Bayan Award. Mr. Pascual holds a Master of Business Administration and a Bachelor of Science in Chemistry (cum laude) from the University of the Philippines.

Vicente S. Pérez, Jr., was elected Independent Director of BDO Unibank, Inc. on April 22, 2019. He is currently Chairman of Alternergy, a publicly listed wind, solar and run-of-river power developer and an Independent Director of DoubleDragon Corporation (formerly DoubleDragon Properties Corporation), a real estate developer. He is also a Non-Executive Director of Singapore Technologies Telemedia Pte Ltd. (Singapore), and its subsidiary STT Communications Ltd. (Singapore). He is a member of the Advisory Boards of Bhutan Foundation, New Zealand Trade and Enterprise, Geneva-based Pictet Clean Energy Fund, and the Yale Center for Business and the Environment. In September 2020, he was appointed Honorary Consul of the Kingdom of Bhutan in the Philippines. He was Philippine Energy Secretary from 2001 to 2005. Mr. Pérez briefly served in early 2001 as Undersecretary at the Department of Trade and Industry and as

Managing Head of the Board of Investments. Prior to his government service, Mr. Pérez had 17 years banking experience, first in Latin America debt restructuring at Mellon Bank in Pittsburgh, and later in debt capital markets in emerging countries at Lazard in London, New York and Singapore. At 35, he became General Partner at New York Investment Bank Lazard Frères as head of its Emerging Markets Group. He was Managing Director of Lazard Asia in Singapore from 1995 until 1997, when he co-founded Next Century Partners, a private equity firm based in Singapore. In 2005, he was briefly a government appointed director of Philippine National Bank until its privatization. He also has affiliations in other sectors and organizations. Mr. Pérez obtained an MBA from the Wharton Business School of the University of Pennsylvania in 1983 and a bachelor's degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class at the Yale School of Management

Jones M. Castro, Jr., was elected to the Board of Directors of BDO Unibank, Inc. on April 20, 2012. He was Lead Independent Director of BDO Unibank from December 7, 2013 to April 23, 2021. Mr. Castro has 51 years of banking expertise, with 44 years of international banking experience. From 2009 to 2011, Mr. Castro was the Area Head for South and Southeast Asia of Wells Fargo Bank, San Francisco. As Area Head, Mr. Castro had responsibility for 12 countries and managed 11 overseas offices with a total of 102 team members, and US\$3 billion in loans. From 2006 to 2009, Mr. Castro was Regional Head for Latin America 1, including the Caribbean, of the Wachovia Bank in Miami, and likewise had responsibility for 25 countries, 3 overseas offices, 30 team members, and a US\$1.8-billion loan portfolio. From 2005 to 2006, he was Executive Vice President and International Banking Group Head of the Union Bank of California, San Francisco. From 1990 to 1994, he was Senior Vice President – Controller of Bank of California, San Francisco, and from 1994 to 1997, he was its Senior Vice President of Strategic Planning in Office of the President. Mr. Castro is currently Trustee of Philippine Development Foundation (PhilDev) USA, Trustee of Philippine S&T Development Foundation - Manila, Inc., Trustee of Jaime V. Ongpin Foundation, Inc., Director of Baguio Sunflower Apartment Corp., and is a Fellow at the Institute of Corporate Directors. Mr. Castro obtained his bachelor's degree in Applied Mathematics in Economics and graduated cum laude from Harvard University. He received his master's degree in Business Administration, Accounting & Finance from Stanford University.

Josefina N. Tan, Filipino, was Director of Banco de Oro Universal Bank (now BDO Unibank, Inc.) from February 3, 2001 to August 2005. She then became a Director of Equitable PCI Bank, Inc. from September 2005 until its merger with BDO Unibank in May 2007. Ms. Tan was re-elected to the Board of Directors of BDO Unibank (then Banco de Oro – EPCI, Inc.) on July 27, 2007. Concurrently, she is Board Advisor of BDO Private Bank, Inc. She is also Chairperson of the Board of Miriam College, Trustee and Corporate Secretary of the Development Center for Finance, and Trustee of the Laura Vicuña Foundation. She is also Treasurer of the Equestrian Order of the Holy Sepulchre of Jerusalem, and Corporate Secretary of Regal Properties, Inc. and PP&P Insurance Underwriters Agency Inc. Ms. Tan served as President and Director of BDO Private Bank, Inc. from August 29, 2003 to April 17, 2017. She was also Executive Vice President of the former Far East Bank & Trust Co.; Director and President of FEB Leasing & Finance Corporation; Executive Director and Trustee of FEB Foundation, Inc.; Executive Vice President of FEB Investments, Inc. until 2000; and Director of Research and Publication of the Ateneo Graduate School of Business. Ms. Tan holds a Bachelor of Arts degree with a major in Communication Arts from Maryknoll College, and a master's degree in Business Administration from the Ateneo Graduate School of Business.

The following table shows the shareholdings of each current Director in the Bank as at 31 December 2024:

Name	No. of Shares	% of Total Shares
Teresita T. Sy.....	640,233	0.0109%
Nestor V. Tan.....	27,228,808	0.4623%
Dioscoro I. Ramos (Lead Independent Director).....	294,690	0.0050%
George T. Barcelon (Independent Director)	341,201	0.0058%
Estela P. Bernabe (Independent Director).....	15,001	0.0003%
Vipul Bhagat (Independent Director)	1	0.0000%
Franklin M. Drilon (Independent Director)	1	0.0000%
Alfredo E. Pascual (Independent Director)	3,501	0.0001%

Vicente S. Perez, Jr. (Independent Director)	50,000	0.0008%
Jones M. Castro, Jr (Non-Executive Director).....	52,751	0.0009%
Josefina N. Tan (Non-Executive Director).	1,063,605	0.0181%

The aggregate compensation paid by the Bank to its Directors for the years ended 31 December 2022, 2023 and 2024 was ₱90.7 million, ₱94.4 million and ₱104.4 million, respectively.

As at 31 December 2022, 2023 and 2024, loans from the Bank to Directors were nil. All loans to Directors are made on arm's length commercial terms.

Senior Management

The members of senior management, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's key officers as of 31 December 2024:

Name	Position
Nestor V. Tan	President, CEO and Director
Joseph Albert L. Gotuaco	President, BDO Private Bank, Inc.
Rolando C. Tanchanco	Head, Consumer Banking
Lucy Co Dy	Comptroller
Eduardo V. Francisco	President, BDO Capital & Investment Corporation
L. Jerome C. Guevarra	Chief of Staff, Office of the President
Jesus Antonio S. Itchon	President, BDO Network Bank, Inc.
Maria Corazon A. Mallillin	Head, Branch Banking
Dalmacio D. Martin	Treasurer
Luis S. Reyes, Jr.	Head, Investor Relations and Corporate Planning
Charles M. Rodriguez	Head, Institutional Banking
Renato A. Vergel de Dios	President and CEO, BDO Life Assurance Company, Inc.
Evelyn L. Villanueva	Head, Risk Management
Geneva T. Gloria	Head of Remittance, Transaction Banking
Alvin C. Go	Head, Legal Service & Assistant Corporate Secretary
Frederic Mark S. Gomez	Head, Information Technology
Ernesto L. Ladrado IV	Head, Central Operations
Manuel Patricio C. Malabanan	Trust Officer
Carlo B. Nazareno	Head of Cash Management Services, Transaction Banking
Estrelita V. Ong	Chief Internal Auditor (retired as of January 1, 2025)
Evelyn C. Salagubang	Head, Human Resources
Maria Theresa L. Tan	President, BDO Insurance and Reinsurance Brokers, Inc.
Federico P. Tancongo	Chief Compliance Officer

Involvement in Legal Proceedings

The Bank is not aware of any of the following events having occurred during the past five years up to the date of this Offering Circular that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director, Senior Management, underwriter or controlling person of the Bank:

- (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (ii) any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (iii) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily

enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

- (iv) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organised trading market or self-regulatory organisation, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and
- (v) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Stock Option Plan

The Bank has established a stock option plan applicable to its senior officers (from vice-president level onwards). The amount of stock options allocated to the qualified officers is based on the performance of the individual officers as determined by the management. The amount of benefits is determined based on the Bank's performance in the preceding year and amortised over five years starting from the date of the approval of the Board.

Corporate Governance

As part of its increasing focus on corporate governance, the Bank established a number of Board committees.

The Executive Committee. The Executive Committee exercises the power of the Board in the management and direction of the affairs of the Bank. It acts as the main approving body for loans, credits, advances or commitments and property-related proposals. It reviews and recommends for Board approval major credit policies including delegation of credit approval limits. The committee is chaired by Teresita T. Sy. Its other members are Nestor V. Tan, Josefina N. Tan, Mario B. Palou, Edmundo S. Soriano, and Cecilia Luz L. Tan.

Board Audit Committee. The Audit Committee is empowered by the Board to oversee the financial reporting process, system of internal control and risk management systems, internal and external audit functions and compliance with governance policies, applicable laws and regulations. Their oversight function covers the following areas: On financial reporting, the committee reviews the integrity of the reporting process to ensure the accuracy and reliability of financial statements and compliance with financial reporting standards and disclosure requirements set for listed companies. On internal control and risk management, it monitors and evaluates the adequacy, soundness and effectiveness of the Bank's established internal control and risk management systems, policies and procedures including implementation across all units of the Bank to provide reasonable assurance against fraud or other irregularities and material misstatement or loss. On internal and external audit, it recommends the appointment, reappointment and removal of the internal and external auditors, remuneration, approval of terms of audit engagement and payment of fees. It reviews non-audit work, if any, ensuring that it would not conflict with their duties as external auditors or may pose a threat to their independence. It approves the annual audit plan and reviews audit results including the BSP Report of Examination focusing on significant findings with financial impact and its resolution. It reviews the implementation of corrective actions to ensure that these are done in a timely manner to address deficiencies, non-compliance with policies, laws and regulations. On compliance, it recommends the approval of the Compliance Charter and reviews the performance of the Chief Compliance Officer. It also reviews the annual plans of the Compliance Group including the Anti-Money Laundering Department (AMLD) and evaluates the effectiveness of the regulatory compliance framework and governance policies and practices of the Bank to ensure that these are consistently applied and observed throughout the institution. It reviews the report of examination of the BSP and other regulators including replies to such reports for endorsement to the BOD for approval. The committee is chaired by Vicente S. Perez, Jr. Its other members are Jones M. Castro, Jr. and Estela P. Bernabe

Compensation Committee. The Compensation Committee provides oversight on directors' compensation and remuneration of senior management and other key personnel, ensuring that the compensation scheme is consistent with the Bank's culture and strategy, effectively aligned with prudent risk taking and commensurate with corporate and individual performance. It also ensures consistency of the compensation policies and practices

across the Bank. It meets at least once annually. The committee's chairman is George T. Barcelon. Its other members are Dioscoro I. Ramos and Teresita T. Sy.

Corporate Governance Committee. The Corporate Governance Committee is primarily tasked to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Bank and its subsidiaries and affiliates. Annually, it conducts the performance self-evaluation of the Board of Directors, its committees, executive management and peer evaluation of directors using the revised board of directors and peer evaluation survey forms. It also oversees the continuing education program for directors and key officers and proposes relevant training for them. The committee's chairperson is Estela P. Bernabe. Its other members are Franklin M. Drilon and Vicente S. Perez, Jr. George T. Barcelon and Jones M. Castro, Jr. serve as advisors.

Nominations Committee. The Nominations Committee leads the process for identifying candidates for election and appointment as Directors and all other positions requiring appointment of the Board of Directors, giving full consideration to succession planning and the leadership needs of the Bank. In particular, this process includes the profiling of the skills and competencies of the currently serving directors, the gaps in skills and competencies identified and the search for candidates who are aligned with the Bank's directions to fill the gaps. It also makes recommendations to the Board on the composition of the Board and chairmanship of the various committees. It keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to the Board with regard to any changes. The committee also reviews and approves the interlocking positions of directors in other entities and ensures its compliance with the Bank's interlocking policy. The committee is chaired by Estela P. Bernabe. Its other members are George T. Barcelon and Vicente S. Perez, Jr.

Risk Management Committee. The Risk Management Committee is responsible for the development and oversight of the risk management program of the Bank and for approving risk appetite levels, policies, risk tolerance limits. It defines the appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur. It oversees the implementation and review of the risk management plan on an enterprise-wide basis, including the system of limits of discretionary authority delegated by the Board of Directors to management and ensures immediate corrective actions when limits are breached. It is also responsible for evaluating the continued relevance, comprehensiveness and effectiveness of the risk management framework. The Risk Management Committee also works with the Audit Committee in certifying the adequacy of the Bank's internal control and risk management systems in the Bank's annual report. The committee is chaired by Vipul Bhagat, with Dioscoro I. Ramos and Jones M. Castro, Jr. as members, and Nestor V. Tan, Christopher A. Bell-Knight as advisors.

Trust Committee. The Trust Committee reviews and approves transactions between trust and/or fiduciary accounts, accepts and closes trust and other fiduciary accounts, and approves the investment, reinvestment and disposition of funds or property. It evaluates trust and other fiduciary accounts at least once a year. In addition, it also reviews the Trust and Investment Group's overall performance, profile of funds and accountabilities under its management, industry position, and the risk management reports. It also approves offering of new products and services, establishment and renewal of lines and limits with financial institutions, and investment outlets and counterparties. Annually, the Committee evaluates the performance of the Trust Officer. The committee is chaired by Dioscoro I. Ramos. Its other members Alfredo E. Pascual, Josefina N. Tan, Nestor V. Tan and Manuel Patricio C. Malabanan. with Christopher A. Bell-Knight and Noel L. Andrada as advisors.

Information Technology (IT) Steering Committee. The IT Steering Committee provides oversight and governance over the Bank's IT functions including approvals of information technology-related policies and practices of the Bank and applicable guidelines. It informs the Board of both internal and external IT-related developments and activities, potential challenges and risks, and progress versus strategic objectives. It approves and endorses to the Board IT-related best practices, strategic plans, policies and procedures. The Committee is also responsible for understanding, managing and mitigating technology risks that confront the Bank and its subsidiaries, ensuring that the risks are properly managed and mitigated and IT performance, including status of major IT projects and issues are properly monitored. The committee is chaired by George T. Barcelon. Its other members are Dioscoro I. Ramos, Nestor V. Tan and Frederic Mark S. Gomez.

Related Party Transactions Committee. The Related Party Transactions Committee assists the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Bank and its

stakeholders. It ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote at the Annual Stockholders' meeting the Bank's significant transactions with related parties. The committee's chairman is Dioscoro I. Ramos. Its other members are Jones M. Castro, Jr. and Vipul Bhagat.

In 2015, the Bank was among the recipients of the inaugural ASEAN Corporate Governance Awards Top 50 ASEAN Publicly Listed Companies, a recognition given to companies that seriously upholds good corporate governance. *Corporate Governance Asia* also included the Bank in its list of Asia's Best CSR (2020-2022), Best Investor Relations Company (2011-2022) and Best Environmental Responsibility in its 6th Asian Excellence Awards held in June 2016. *Asia Corporate Excellence & Sustainability Awards* also recognized the Bank as Top Sustainability Advocates in Asia (2021-2022) and Industry Champions of the Year (2019, 2022). The Bank was also named Asian Excellence Awardee (2011-2022).

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loan transactions with a subsidiary, and with certain directors, officers, stockholders and related interests. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risk.

For further information on the Bank's related party transactions, including detailed breakdowns of amounts receivable from related parties and the income and expenses relating to related party transactions, see Note 27 to the Bank's audited financial statements as at 31 December 2022 and Note 27 to the Bank's audited financial statements as at 31 December 2023 and 2024 and for the years ended 31 December 2022, 2023 and 2024.

The Bank has not included the volume of transactions and maturity dates in the audited financial statements since these loans do not have a material effect on the total loan portfolio and are short term in nature.

DOSRI Loans and Deposits

The following table sets out certain information relating to the Bank's DOSRI loans as at the dates indicated:

	As at 31 December		
	2022	2023	2024
	(in ₱ millions, except percentages)		
Total DOSRI loans	23,376	27,753	18,962
Per cent. of DOSRI loans to total loans	0.9	1.0	0.6
Per cent. of unsecured DOSRI loans to total DOSRI loans	9.1	8.1	13.9

In the ordinary course of business, the Bank has loan transactions with a subsidiary and with certain DOSRI. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

BSP Circular Nos. 560, series of 2007, and 654, series of 2009 provided the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50% respectively, of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As at 31 December 2024, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Bank's subsidiaries and affiliates did not exceed 10.00% of the Parent Bank's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.00% of such net worth. Additionally, all subsidiaries' and affiliates' total loans, credit accommodations, and guarantees did not exceed 20% of the Parent Bank's net worth.

The year-end balances as at 31 December 2022, 2023 and 2024 in respect of subsidiaries included in the Bank's financial statements are as follows:

	As at 31 December		
	2022	2023	2024
	(in ₱ millions)		
Loans and receivables.....	76,444.2	94,377.4	111,696.7
Deposit liabilities	91,451.2	96,671.8	113,880.9

The income and expenses for the years ended 31 December 2022, 2023 and 2024 in respect of subsidiaries included in the Bank's financial statements are as follows:

For the year ended 31 December		
2022	2023	2024
(in ₱ millions)		

Interest income.....	10,701.4	10,911.8	12,844.0
Interest expense	1,419.0	3,060.3	4,245.5

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

The significant inter-company transactions and outstanding balances of the Bank with its subsidiaries were eliminated in consolidation. The Bank is not a subsidiary of any corporation and had no transactions with promoters.

THE PHILIPPINE BANKING INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, and has not been prepared or independently verified by the Issuer, the Lead Arranger, the Dealers or any of their affiliates or advisers. None of the Issuer, the Lead Arranger, the Dealers or any of their affiliates or advisers makes any representation as to the accuracy or completeness of this information.

Introduction

The banking industry in the Philippines is composed of universal banks, commercial banks, rural banks, thrift banks (including savings and mortgage banks, private development banks and stock savings and loan associations), cooperative banks, Islamic banks, and digital banks.

According to BSP's report on the Physical Network of the Philippine Banking System, as at 31 December 2024, the commercial banking sector, comprising universal and commercial banks, consisted of 44 banks, of which 22 were universal banks and 22 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, 3 were government banks and 6 were branches of foreign banks. Of the 22 commercial banks, 2 were private domestic banks, 2 were subsidiaries of foreign banks and 18 were branches of foreign banks.

Commercial banks are organised primarily to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business not related to banking, and to own up to 100% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for SMEs and individuals. As at 31 December 2024, there were 41 thrift banks (including microfinance-oriented banks), based on BSP's report on the Physical Network of the Philippine Banking System.

Rural banks are organised primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As at 31 December 2024, there were 383 rural and cooperative banks, based on BSP's report on the Physical Network of the Philippine Banking System.

Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branch/sub-branch or branch-lite unit offering financial products and services. As at 31 December 2024, there were 6 digital banks, based on BSP's report on the Physical Network of the Philippine Banking System.

Specialised government banks are organised to serve a particular purpose. The existing specialised banks are the Development Bank of the Philippines (**DBP**), Land Bank of the Philippines (**LBP**), and AI-Amanah Islamic Investment Bank of the Philippines (**AAIIB**). DBP was organised primarily to provide banking services catering to the medium-and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for small-and medium-sized enterprises. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organised to promote and accelerate the socio-economic development of

the Autonomous Region of Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past decade, the Philippine banking industry has been marked by two major trends — the liberalisation of the industry, and mergers and consolidation.

Foreign bank entry was liberalised in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of 10 new foreign bank branches in 1995. Republic Act No. 8791 or the General Banking Law of 2000 (the **General Banking Law**) further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100% of the voting stock of one domestic bank within seven years from the effectivity of said law on 13 June 2000 or until 13 June 2007. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof.

Under RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014 which amended the relevant provisions of the Manual of Regulations for Banks (the **Manual**) implementing RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely owned and publicly listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The liberalisation of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Commercial Bank, United Overseas Bank, Hua Nan Commercial Bank, Bank of Taiwan, and Land Bank of Taiwan being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. As at 31 December 2024, there were 24 foreign banks with branches and two foreign banks with subsidiaries in the Philippines, based on BSP's report on the Physical Network of the Philippine Banking System.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been at least 102 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalisation, and to the mergers and consolidation trend, the BSP issued BSP Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. As provided in the Circular, the suspension of the grant of new banking licenses or the establishment of new banks under the Manual is lifted under a two-phased approach. Under Phase 1 of the liberalisation, the grant of new universal/commercial banking license

shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks was fully lifted and locational restrictions fully liberalised starting 1 January 2018.

In November 2020, BSP approved the framework for the creation and licensing of digital banks, as part of its efforts to extend financial services. Under the digital bank framework, digital banks will be subject to the same prudential requirements applicable to non-digital banks. At the same time, the Philippines is expected to attract more digital banking players, given its significant unbanked population of around 70%, which could be reached more easily by digital banks compared with traditional banks, and a relatively high national internet penetration rate of around 67%, based on the analysis of FitchSolutions.

In December 2020, the BSP signed BSP Circular No. 1105, as further amended in September 2022 pursuant to BSP Circular No. 1154, which provided guidelines for establishing digital banks in the Philippines and subjecting digital banks to the prudential requirements set out by the BSP, including with respect to corporate governance and risk management.

In 2020, the Philippine banking system has remained largely stable amidst the COVID-19 pandemic according to the BSP. Despite banks' daily operations affected by community quarantine and social distancing, growth in deposits still remained firm, which is partially attributable to the consumer shift towards digital payments. Loan growth was sluggish during the first 7 months of 2020, driven by the decrease in loan balances to borrowers operating in economic sectors such as wholesale and retail trade, manufacturing, construction (which was partially offset by the increase in loans to real estate borrowers), information and communications and other sectors. Meanwhile, loan quality slightly weakened but was still manageable, with the NPL coverage ratio going up following the increase in allowance for credit losses. The liquidity and capital position of the banking system remained intact.

The following table sets out a comparison, based on publicly available data, of the five largest Philippine private domestic commercial banks in terms of assets as at 31 December 2024:

Name	Market Capitalisation ¹	Total Equity ²	Total Assets ² (in ₱ millions, except number of branches)	Loans and Receivables - net ²	Total Deposits ²	No. of Branches ³
BDO Unibank, Inc.....	759,254	577,395	4,876,050	3,272,518	3,794,027	1,791 ⁴
Metropolitan Bank & Trust Co.....	323,814	396,405	3,520,355	1,816,010	2,573,878	960
Bank of the Philippine Islands.....	643,196	432,690	3,318,813	2,238,765	2,614,802	1,266
China Banking Corporation.....	170,900	168,580	1,646,093	915,230	1,331,147	650
Rizal Commercial Banking Corporation	60,125	158,491	1,360,153	742,497	1,022,794	453

Notes:

- (1) Market Capitalisation as at 31 December 2024.
- (2) Financial data taken from each bank's respective audited financial statements (based on consolidated figures) as at 31 December 2024.
- (3) Number of branches was provided by each of the respective banks as at 31 December 2024.
- (4) Philippine branches.

According to the Senior Bank Loan Officers' Survey conducted by BSP for the fourth quarter of 2024 (**Q4 2024 SLOS**), most bank respondents maintained their overall credit standards for lending to enterprises and consumers based on the modal approach. Meanwhile, the diffusion index (**DI**) method indicated a net tightening of credit standards for business loans, while loan standards for households were reportedly unchanged. Survey results pointed to unchanged overall demand for enterprise loans, and generally unchanged loan demand from consumers. The DI approach showed a net increase in business loan demand from firms, though slightly lower than the previous quarter, and a lower net rise in consumer loan demand compared to the previous quarter. The DI approach also showed net tightening of credit standards for business loans in Q4 2024, due to the deterioration in borrowers' profiles and the profitability of the bank's portfolio. The DI-based method showed generally unchanged credit standards for consumer loans mainly due to the unchanged profile of borrowers, tolerance for risk, and the profitability of the bank's portfolio.

The BSP issued BSP Circular No. 839, Series of 2014 dated 27 June 2014 which adopts a prudential real estate stress test limit (**REST Limit**) for universal and commercial banks, thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST Limit combines macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened

supervisory response.

The prudential REST Limits which shall be complied with at all times by universal and commercial banks are 6% of CET1 capital ratio and 10% of risk-based capital adequacy ratio, on a solo and consolidated basis, under the prescribed write-off rate. For thrift banks, the prudential REST Limits which shall be complied with at all times are 6% of CET1 capital, for thrift banks that are subsidiaries of universal and commercial banks, 6% of Tier 1 capital, for stand-alone thrift banks, and 10% of risk-based capital adequacy ratio for all thrift banks.

On 29 October 2014, the BSP issued Circular No. 854, Series of 2014, which increased the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Previous Minimum Capitalisation (₱)	Current Minimum Capitalisation (₱)
Universal Banks	4.95 billion**	
Head Office only		3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in:		
Metro Manila.....	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region (NCR).....		
Head Office only		500 million
Up to 10 branches*		750 million
11 to 50 branches*		1.00 billion
More than 50 branches*		2.00 billion
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila.....	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities	5 million**	
Head Office in NCR		
Head Office only		50 million
Up to 10 branches*		75 million
11 to 50 branches*		100 million
More than 50 branches*		200 million
Head Office in All Other Areas Outside NCR		
(All Cities up to 3rd Class Municipalities)		
Head Office only		20 million

Bank Category/Network Size	Previous Minimum Capitalisation (P)	Current Minimum Capitalisation (P)
Up to 10 branches*		30 million
11 to 50 branches*		40 million
More than 50 branches*		80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities).....		
Head Office only		10 million
Up to 10 branches*		15 million
11 to 50 branches*		20 million
More than 50 branches*		40 million

* Inclusive of Head Office
** With no distinction for network size

The amendment became effective in November 2014.

Restrictions on Branch Opening

Opening of branches by Philippine banks within or outside the Philippines requires BSP's prior approval, subject to certain conditions such as meeting the minimum capital requirements set by the BSP. Upon BSP's approval, these branches may be used by the banks as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. For more information, see "*Banking Supervision and Regulation—Regulation Relating to Capital Structure*" and "*Banking Supervision and Regulation—Regulations with Respect to Branches.*"

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On 21 January 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions was lifted effective 1 January 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of “top tier” banks compete for business.

As at 31 December 2024, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 85% of total assets and 86% of total deposits of the Philippine banking system based on published statements of condition.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected. As at 31 December 2024, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 85% of the net customer loan portfolio of the Philippine banking system, based on published statements of condition.

The Philippine Competition Act was signed into law in 2015 and establishes competition related rules and procedures in the Philippines in relation to mergers and acquisitions. See “*Banking Supervision and Regulation—Philippine Competition Act*.”

Banks also compete with traditional and digital enabled remittance businesses and face competition from the emergence of FinTech, including businesses such as an all-digital bank set up by CIMB and ING Direct, businesses stemming from approved digital banking licenses provided to UNObank, OFBank, Tonik, Union Digital Bank, GOType and Maya Bank, mobile payment tools or e-wallet applications such as GCash and PayMaya, and the growing popularity of peer-to-peer lending through digital platforms. As banks venture into micro-finance and other consumer financing products, they may also face competition from other consumer-focused players, including informal lenders.

Certain Government Policies and Regulations in relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes requirements on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these requirements and can introduce new regulations to control any particular line of business. Please see “*Banking Supervision and Regulation*” for a more detailed discussion.

BANKING SUPERVISION AND REGULATION

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

The information presented in this section has not been prepared or independently verified by the Issuer, the Lead Arranger, the Dealers or any of their affiliates or advisers. None of the Issuer, the Lead Arranger, the Dealers or any of their affiliates or advisers makes any representation as to the accuracy or completeness of this information.

Introduction

RA No. 7653 (the New Central Bank Act of 1993) (**New Central Bank Act**) and RA No. 8791 (the General Banking Law of 2000) (**General Banking Law**) and RA No. 11211 (No. 11211) (**An Act Amending the New Central Bank Act**) vest the BSP, which exercises its powers through the Monetary Board, with the authority to regulate and supervise financial intermediaries in the Philippines. Financial intermediaries include banks or banking institutions such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or quasi-bank. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or quasi-bank or which is related or linked to such institution or intermediary through common stockholders or such other factors as determined by the Monetary Board. In this regard, the Manual defines an affiliate as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the Manual), or power to vote, of at 20% of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls (as defined under the relevant portion of the Manual), or has the power to vote of at least 20% of the outstanding voting stock of the entity; (c) common stockholders owning at least 10% of the outstanding voting stock of the bank and at least 20% of the outstanding voting stock of the entity; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favour of the bank constituting at least 20% of the outstanding voting stock of the entity, or vice-versa.

In the exercise of its power of supervision under the General Banking Law, the BSP may issue rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank. Section 28 of the New Central Bank Act provides that there shall be an interval of at least 12 months between regular examinations. A vote of at least five members of the Monetary Board may authorise a special examination.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. The refusal of any officer, owner, agent, manager, director or officer-in-charge of an institution subject to the supervision or examination of the BSP to make a report or permit an examination is criminally punishable under Section 34 of the New Central Bank Act. In addition to the general laws such as the General Banking Law and

the AMLA, as amended, among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the Manual of Regulations of Banks (the **Manual**).

The Manual is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The Manual contains regulations that include those relating to the organisation, management and administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the Manual are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

The Manual and other regulations are principally implemented by the Financial Supervision Sector of the BSP (**FSS**). The FSS is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under RA No. 3779 or the Savings and Loan Association Act, and pawnshops under PD No. 114 or the Pawnshop Regulation Act).

Permitted Activities

A universal bank, such as the Bank, in addition to the general powers incidental to corporations, has the authority to exercise (i) the powers of a regular commercial bank, (ii) the powers of an investment house and (iii) the power to invest in non-allied enterprises. In addition, a universal bank may own up to 100% of the equity in a thrift bank, a rural bank or a financial allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100% of the equity in a non-financial allied enterprise.

In addition to those functions specifically authorised by the General Banking Law and the Manual, banking institutions in general (other than building and loan associations) are allowed to (i) receive in custody funds, documents and valuable objects, (ii) rent out safety deposit boxes, (iii) act as financial agents and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities, (iv) make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business, and (v) upon prior approval of the Monetary Board, act as managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts. Financial intermediaries are also allowed to a certain extent to invest in allied (both financial and non-financial) or non-allied undertakings (applicable only to universal banks), or both.

Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies, and financial institutions catering to small-and medium-scale industries, including venture capital companies, companies engaged in stock brokerage/securities dealership and companies engaged in foreign exchange dealership/brokerage.

The total equity investments of a universal bank in all enterprises, whether allied or non-allied, are not permitted to exceed 50.0% of its net worth. Its equity investment in any one enterprise, whether allied or non-allied, is not permitted to exceed 25.0% of the net worth of the universal bank. Net worth is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP.

Regulation relating to capital structure

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The Philippine SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorised by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

Under the New Central Bank Act, transfers or acquisitions, or a series thereof, of at least 10% of the voting shares in banks or quasi-banks require the prior approval of the BSP within such period as may be prescribed by the Monetary Board.

On 20 October 2014, the Monetary Board decided to increase the minimum capital requirement for all bank categories including universal, commercial, thrift, rural and cooperative banks. This is in line with the BSP's efforts of further strengthening the banking system. Under this regulation, the minimum capital for universal and commercial banks will be tiered based on network size as indicated by the number of branches. In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches (inclusive of head office), ₱15 billion for head office with 11 to 100 branches (inclusive of head office), and ₱20 billion for head office with more than 100 branches (inclusive of head office). Commercial banks are required to have capital accounts of at least ₱2 billion for head office only, ₱4 billion for head office with up to 10 branches (inclusive of head office), ₱10 billion for head office with 11 to 100 branches (inclusive of head office), and ₱15 billion for head office with more than 100 branches (inclusive of head office). Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500 million for head office only, ₱750 million for head office with up to 10 branches (inclusive of head office), ₱1 billion for head office with 11 to 50 branches (inclusive of head office), and ₱2 billion for head office with more than 50 branches (inclusive of head office). In August 2022, the BSP issued BSP Circular No. 1151 wherein the BSP adjusted the minimum capitalization for rural banks. Under these new guidelines, rural banks are required to have capital accounts of at least ₱50 million for head office only (without regard to the location of the head office), ₱50 million for head office with up to 5 branches (inclusive of head office), ₱120 million for head office with 6 to 10 branches (inclusive of head office), and ₱200 million for head office with more than 10 branches (inclusive of head office). These minimum levels of capitalisation may be changed by the Monetary Board from time-to-time.

For purposes of these requirements, the BSP issued BSP Circular No. 1164 on 05 January 2023 which states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, including paid-in surplus, retained earnings and undivided profits. The following are to be added to capital:

- Deposits for stock subscription recognised as equity pursuant to Section 123 of the Manual of Regulations for Banks; and
- Other instruments that meet the following criteria:
 - a. It must be paid-in;
 - b. It must have a minimum maturity of at least five (5) years;
 - c. It may be callable/redeemable at the initiative of the issuer only after a minimum of five (5) years;
 - d. It must be subordinated to depositors and general creditors of the bank; and
 - e. It must have the ability to be converted to common shares or written off upon the occurrence of a trigger event. A trigger event occurs when a bank is considered non-viable as determined by the *Bangko Sentral ng Pilipinas*.

The following shall be deducted from capital:

- treasury stock;
- unbooked allowance for probable losses (including allowance for credit losses and impairment losses);
- total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI and their related interests granted by the bank;

- total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties as defined under Subsection X141.1 of the Manual, that are not at an arm's length terms as determined by the appropriate supervising department of the BSP;
- deferred tax assets that rely on future profitability of the bank to be realised net of any (a) allowance for impairment and (b) associated deferred tax liability if the conditions cited in PAS 12 on income taxes are met; provided, that, if the resulting figure is a net deferred tax liability, such excess cannot be added to net worth;
- reciprocal investment in equity of other banks or enterprises, whether foreign or domestic, if the other bank or enterprise has a reciprocal equity investment in the investing bank, the deduction shall be the (a) investment of the bank or (b) the reciprocal investment of the other bank or enterprises, whichever is lower; and
- in the case of rural/cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

According to BSP Circular No. 1027 dated 28 December 2018, deposits for stock subscription recognised as equity pursuant to Section X128 of the Manual shall be added to capital.

On 15 July 2014, RA No. 10641 further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must be established, reputable and financially sound. Additionally, such foreign bank must be widely owned and publicly listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorised to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorised to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorised to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued BSP Circular No. 858, amending the relevant provisions of the Manual, accordingly. On 15 February 2016, BSP issued BSP Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

Under the General Banking Law, foreign individuals and non-bank corporations, Filipinos and domestic non-bank corporations may own or control up to 40% of the voting stock of a domestic bank. In determining the percentage of foreign-owned voting stock in a bank, the citizenship of the individual stockholders in that bank shall be considered.

The individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- clearing account with BSP is not overdrawn;
- liquidity floor requirement for government funds;
- minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- the CCB requirement as defined in Appendix 59, Part III of the Manual for universal and commercial banks and their subsidiary banks and quasi-banks;
- higher loss absorbency requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with the D-SIB Framework as provided under Section 128 of the Manual for universal and commercial banks and their subsidiary banks and quasi-banks; or
- has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, of the appropriate section, as may be applicable, upon recommendation of the appropriate supervising department of the, BSP.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Regulations with respect to branches

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of law allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalisation requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks to a maximum of ₱20 billion for more than 100 branches of universal banks). For a discussion on the breakdown of minimum capital requirements for banks, please see “*Regulation Relating to Capital Structure*.”

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP’s branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, which liberalised the policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank, once approved, a branch should be opened within three years from the date of approval. Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalised pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalisation allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or “restricted areas” in Metro Manila until 30 June 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the “restricted” areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks’ branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 (**Republic Act No. 9178**) may be established anywhere upon the fulfilment of certain conditions. BSP Circular No. 759 further liberalised its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank.

In BSP Circular No. 987, Series of 2017, the BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the Manual. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

At present, pursuant to BSP Circular No. 932, Series of 2016, all banks, including rural and cooperative banks, as a general rule are allowed to establish branches anywhere in the Philippines, including in cities previously considered restricted areas.

Branches of microfinance-oriented banks and microfinance-oriented branches of regular banks' branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 may be established anywhere upon the fulfilment of certain conditions.

Regulations with respect to management of banks

The board of directors of a bank must have at least five and a maximum of 15 members. According to Republic Act No. 11232 or the Revised Corporation Code (the **Revised Corporation Code**), the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. The Revised Corporation Code also requires a compliance officer. Material contracts of a corporation vested with public interest with (1) one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least 2/3 of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code. Under the Manual, at least one-third but not less than two members of the board of directors of universal and commercial banks shall be independent directors. Further, Philippine SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly listed companies, such as the Bank, to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. In case of merged or consolidated banks, the number of directors shall not exceed 21. An independent director is a person who independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Foreigners are allowed to have board seats to the extent of the foreign participation in the equity of the bank.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits act which renders him or her unfit for the position.

Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued BSP Circular No. 971, prescribing the Guidelines on Risk Governance for *Bangko Sentral* Supervised Financial Institutions (**BSFIs**), and requiring the appointment of a Chief Risk Officer (**CRO**) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors. Pursuant to the Circular, prospective directors have the burden of proving that they possess all the minimum qualifications and

none of the disqualifications listed in the MORB and must submit proof to the BSP of their qualification. An elected director must be fit and proper for the position, taking into consideration his integrity/probity, physical/mental fitness, educational/financial literacy/training and other competencies relevant to the job. Each director must also have attended a seminar on corporate governance, subject to certain exemptions. Members of the board of directors may not be appointed as corporate secretary or chief compliance officer of the institution.

On the same date, the BSP also issued BSP Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer (CCO). The CCO is tasked to oversee the identification and management of the BSFI's compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On 4 January 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors on a bank's financial position under a severe but plausible scenario to assist the board and management in decision-making. The Board of Directors must consider the results in capital and liquidity planning and setting risk appetite, among others. Banks have a period of two years from effectivity date to gradually change their stress testing practices until it is in compliance with the circular's requirements.

On 18 February 2020, BSP issued Circular No. 1076, which provides the amendments to the regulations on the disqualifications and watchlisting of directors and officers of banks. The BSP prohibited certain persons from becoming officers of a bank, which include, among others, any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or controlled corporations or in cases allowed under existing laws.

On 8 April 2021, BSP issued Circular No. 1112, which provides the amendments to the Operational Risk Management of BSP-supervised financial institutions (BSFIs). The BSP recognises that one of the major sources of operational risk is "people risk". The BSP mandates BSFIs to be stringent in its recruitment and selection process and in the performance management of its personnel. In connection with this circular, the Human Resource Department of BSFIs shall require all those who passed the initial stage of pre-employment screening to accomplish the Authorisation Form for Querying (AFQ) the Bangko Sentral Records.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

On 28 November 2022, the BSP issued Circular No. 1160 which provides for a framework for Bangko Sentral-Supervised Institutions (BSIs) to manage risks and potential harms to Financial Consumers and institutionalise consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

Regulations with respect to bank operations

A universal bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise and prescribe the composition and the manner of determining the net worth and total risk assets of bank and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to: (i) perform activities allowed for commercial banks; (ii) exercise powers of an investment house; and (iii) invest in non-allied enterprise.

On 7 February 2019, the BSP issued Circular No. 1031, setting forth additional guidelines for the classification of licenses/authorities based on the types of licenses issued for permissible activities; and providing for corresponding amendments to the licensing requirements of the BSP. The Circular provides that a Type C license is required for the issuance of bonds and commercial paper.

On 22 February 2019, the BSP issued Circular No. 1033, which governs electronic payment and financial services (“EPFS”) offered by BSFIs. EPFS are classified as basic EPFS, which are limited to services allowing only receipt of funds or access to information, and advanced EPFS, which enable customers to send funds and initiate other financial transactions. BSFIs intending to offer advanced EPFS must obtain a Type A/B license, while those intending to offer only basic EPFS must obtain a Type C license. Once granted a license, a BSFI must comply with the regulations set forth in the Circular.

On 25 July 2019, the BSP issued Circular No. 1042 on the *Guidelines on Investment Activities of BSFIs*. These cover all of a BSFI’s investments in the trading and banking books. It provides the fundamental elements of a BSFI’s risk management framework as well as the supervisory expectations on the management of major risks that are inherent in investment activities.

On 7 February 2023, the BSP issued Circular No. 1166, which made changes to the rules on the issuance of e-money and operations of e-money issuers in the Philippines (including rules on liquidity, capitalization, load limit, and guidelines on reporting and sanctions). The new guidelines set forth in this BSP Circular covers BSFIs that issue E-money and engage in E-money business in the Philippines. E-money issued under closed-loop electronic wallet systems is not covered by the guidelines.

Capital adequacy requirements

The Philippines adopted capital requirements based on the Basel Capital Accord in July 2001.

On 1 July 2007, the BSP issued BSP Circular No. 538, which is the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. To align with the international standards, the BSP adopted part of the Basel Committee’s eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 with the issuance of BSP Circular No. 709 effective 1 January 2011, as amended by BSP Circular No. 716.

In January 2012, the BSP announced that the country’s universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III

with effect from 1 January 2014. It aims to replace Basel II, to further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like CET 1 and Tier 1 issues.

This thus allowed local banks one full year for a parallel run of the old and new guidelines prior to the effectiveness of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under the Basel III accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the capital adequacy ratio. The BSP maintained the minimum capital adequacy ratio at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a CCB of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 will be allowed to count these instruments as Basel III-eligible until end-2015. However, capital instruments that are not eligible in any of the three components of capital were derecognised from the determination of the regulatory capital on 1 January 2014.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on D-SIBs by the BSP under Basel III. Banks deemed as D-SIBs by the BSP are required to maintain capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their D-SIB status in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.0% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to G-SIBs given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on 1 January 2017 and became fully effective on 1 January 2019. On 27 September 2019, the BSP issued Circular No. 1051, entitled Amendments to BSP Circular No. 1051 (**BSP Circular No. 1051**), which amended the framework for dealing with D-SIBs provided under BSP Circular No. 856.

On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every 31st of March of each year. This was amended by Circular No. 1113, Series of 2021, which now requires that the recovery plan be separate and distinct from the ICAAP document. D-SIBs must submit a separate recovery plan every 30th of June of each year, starting 30 June 2022. The submission of the ICAAP document remains to be every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the higher loss absorbency (**HLA**) capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on 30 June 2016 and will be resubmitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a CCyB wherein banks may be required by the relevant regulator to build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CCyB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. On 6 December 2018, the BSP issued the guidelines on CCyB. BSP Circular No. 1024 imposes a CCB of 2.5% and a CCyB of 0% subject to upwards adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases shall be effective immediately. The circular further provides that the HLA requirement shall be on top of the combined requirement for CCB and CCyB. Under the Bank for International Settlements (**BIS**), the CCyB became fully effective on 1 January 2019.

On 27 September 2019, the BSP issued Circular No. 1051 which amended the framework for D-SIBs. Said Circular amended the list of indicators and their respective weights in order to identify D-SIBS. In addition, said Circular revised the range of the HLA requirement as percentage of risk-weighted assets.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratio (computed as banks' Tier 1 capital divided by its total on-book and off-book exposure). On 9 June 2015, the BSP issued BSP Circular No. 881 on the implementing guidelines and accordingly, amending the relevant provisions of the guidelines. Under the guidelines, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by 1 January 2017 (which compliance period was extended to 1 January 2018 based on BSP Circular No. 943 issued in 2017). The guidelines also provide for a monitoring period up to the end of 2016 during which banks are required to submit periodic reports; however, sanctions will not be imposed on banks whose leverage ratios fall below the required 5% minimum during the period. However, sanctions were not imposed on banks whose leverage ratios fell below the required 5% minimum during the period. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. On 26 January 2017, the BSP issued BSP Circular No. 943 which approved the one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017, and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to increasing regulatory burden on banks.

On 22 January 2018, the BSP issued BSP Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

On 28 April 2020, the BSP issued Memorandum No. M-2020-034 which relaxed the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks. Banks' exposure to qualified MSMEs, those that meet the criteria and the current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, down from 75% previously. The foregoing relaxation in the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks shall apply until 30 June 2023, pursuant to Memorandum No. M-2022-041 issued by the BSP on 23 September 2022.

On 4 May 2020, the BSP issued Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilise the same during this state of health emergency, subject to the following:

- a. the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws), profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
- b. the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum

CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

Reserve requirements

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to BSP on the amount of any deficiency. Furthermore, the Monetary Board may limit or prohibit its making of new loans or investments, and require that part or all of the net profits be assigned to surplus. Deposits maintained by banks with BSP as part of reserve requirements are exempt from attachment, garnishment, or other order of process of courts, government agencies, or any other administrative body issued to satisfy the claim of a party other than the government, or its political subdivision.

Under BSP Circular No. 732 issued on 3 August 2011, as further amended by BSP Circular No. 753 issued on 29 March 2012, BSP Circular No. 830 issued on 3 April 2014, BSP Circular No. 832 issued on 27 May 2014, BSP Circular No. 997 issued on 15 February 2018, BSP Circular No. 1004 issued on 24 May 2018, BSP Circular No. 1041 issued on 29 May 2019, BSP Circular No. 1054 issued 11 October 2019, BSP Circular No. 1063 issued on 3 December 2019 and BSP Circular No. 1082 issued on 31 March 2020, universal and commercial banks are required to maintain regular reserves of: (a) 12% against demand deposits, savings deposit, time deposit and deposit substitutes, Peso deposits lodged under due to foreign banks, Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); (b) 12% against negotiable order of withdrawal accounts; (c) 0% against deposit substitutes evidenced by repurchase agreements; (d) 4% against long-term negotiable certificates of time deposits; and (e) 3% against bonds.

On 15 October 2019, the Monetary Board approved the reduction in the reserve requirement rate for bonds issued by banks and quasi-banks from 6.0% to 3.0%, in furtherance of the BSP's commitment to contribute to the deepening of the local debt market and to incentivise banks and quasi-banks to tap the domestic bond market as part of their liquidity management. On 24 October 2019, the Monetary Board announced that it was reducing the reserve requirement ratio by 100 basis points for universal/commercial and thrift banks, in line with the BSP's broad financial sector reform agenda to promote a more efficient financial system by lowering financial intermediation costs and to ensure sufficient domestic liquidity in support of economic activity. On 31 March 2020, the Monetary Board approved a reduction in the reserve requirement ratios of deposit and deposit substitute liabilities of universal and commercial banks and non-bank financial institutions with quasi-banking functions. The new rates of required reserves became effective on reserve week 3 April 2020.

Since 31 July 2020, the BSP has regularly adjusted the reserve requirements as part of the liquidity management of the BSP. Under Circular No. 1211 issued by the BSP on 11 March 2025, the BSP further reduced the reserve against deposit and deposit substitute liabilities in local currency of banks effective reserve week starting 28 March 2025 to 5% for universal and commercial banks and 2.5% for digital banks with respect to demand deposits, "NOW" accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks and Peso deposits lodged under due to Head Office/Branches/Agencies Abroad of banks. The reserve against deposit and deposit substitute liabilities in local currency of banks with respect to thrift, rural and cooperative banks currently remains at zero percent.

On 22 April 2020, the BSP issued Circular No. 1083 as part of the Government's financial assistance program to the micro, small and medium sized-enterprises (**MSMEs**), which states that loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions:

- (1) That the MSME loan was granted after 15 March 2020;
- (2) That the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

Qualified MSME loans are to be valued at amortised cost, gross of allowance for credit losses. This shall be available to banks from 24 April 2020 to 30 December 2021.

On 27 July 2020, the BSP issued Circular No. 1092, which reduced the reserve requirements against deposit and deposit substitute liabilities in local currency of banks, which took effect on 31 July 2020.

On 8 October 2020, the BSP issued Circular No. 1100 which amended Circular No. 1087 issued 27 May 2020. It provided the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

- a) Peso-denominated loans that are granted to MSMEs, excluding banks and NBQBs that meet the definition of a small- and medium enterprise, subject to the conditions stated above.
 - i) That the loan was granted, renewed or restructured after 15 March 2020; Provided, that if such MSME loan becomes past due or non-performing, as defined under Sec. 304/303-Q, it is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such MSME loan has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilise said past due or non-performing MSME loan as alternative compliance with the reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;
 - ii) That the loan was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day.
 - iii) That the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from 24 April 2020 to 30 June 2023, pursuant to BSP Circular No. 1155 issued on 21 September 2022.

- b) Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs, subject to the following conditions:
 - i) That the loan was granted, renewed or restructured after 15 March 2020; provided, that a loan to a large enterprise that becomes past due or non-performing, as defined under Sec. 304/303-Q, is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such loan to a large enterprise has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilise said past due or non-performing loan to a large enterprise as alternative compliance with the reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;
 - ii) That the loan was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day.
 - iii) That the loan to the large enterprise is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of loans to large enterprises as allowable alternative compliance shall be available to banks from 29 May 2020 to 30 June 2023, pursuant to BSP Circular No. 1155 issued on 21 September 2022.

Pursuant to BSP Memorandum Circular No. 1176, Series of 2023, in the case of thrift banks, rural banks, and cooperative banks, the outstanding MSME loans and loans to large enterprises of these banks that are utilised as alternative compliance with the reserve requirement as of 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025; provided, however, that such MSME loans and loans to large enterprises which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. The outstanding

balance of MSME loans and loans to large enterprises that are utilised by these banks as compliance with the required reserves as of 30 June 2023 shall not be increased but may be reduced and once reduced, said loans shall not be increased thereafter.

New MSME loans and loans to large enterprises granted after 30 June 2023 by banks shall not be eligible as alternative compliance with the reserve requirement.

On 23 June 2023, the BSP issued Memorandum Circular No. 1175, reducing the reserve requirements against deposit and deposit substitute liabilities (i.e., demand deposits, NOW accounts, savings deposits, time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs and deposit substitutes) in local currency of banks, with effect from 30 June 2023 as follows (a) for universal banks from 12% to 9.5%; (b) for thrift banks from 3% to 2%; and (c) for rural and cooperative banks from 2% to 1%. It also provides the reserve requirements against deposit and deposit substitutes in local currency for digital banks which was set at 6%.

On 13 December 2023, the BSP issued Circular No. 1185 granting a gradual reduction of the reserve requirement rate from 1% for the first year from effectivity thereof, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks.

Liquidity requirements

Local banks face new liquidity requirements, namely, the LCR and the NSFR, under Basel III. The LCR requires banks to hold sufficient level of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimise negative spill over to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs.

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Starting 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which was increased to 100% commencing on 1 January 2019. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On 15 March 2019, BSP issued BSP Circular No. 1035 which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. including the (i) extension of the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adoption of the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amendment of the formula for minimum liquidity ratio. The subsidiary banks and quasi-banks of universal and commercial banks are required to comply with the minimum LCR of 100% starting 1 January 2020.

On 6 June 2018, the BSP issued BSP Circular No. 1007 which sets out the guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks. The Circular provides for an observation period until 31 December 2018, during which NSFR Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan. On 15 March 2019, the Monetary Board approved the extension of the observation period for the NSFR of the subsidiary banks and quasi banks of universal and commercial banks until 31 December 2019, moving the effectivity dates of said ratios to 1 January 2020. During the extended observation period, subsidiary banks and quasi-banks of universal and commercial banks are required to comply with a 70% LCR and NSFR, which shall increase to 100% on 1 January 2020. The Monetary Board also approved enhancements to the LCR and minimum liquidity ratio guidelines, including netting of cash inflows and outflows to and from the same derivative counterparty for the LCR framework, and counting interbank placements as eligible liquid assets and adjusting qualifying liabilities through conversion factors to retail current and regular savings deposits worth ₱500,000 and

below and certain liability accounts. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

On 13 February 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III Net Stable Funding Ratio (**NSFR**) Report and Liquidity Coverage Ratio Report (**LCR**). It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1034 and 1035 both dated 15 March 2019 on the Amendments to the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio and the Amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework.

On 4 May 2020, the BSP issued BSP Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilise the same during this state of health emergency, subject to the following:

- a. the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws) or, profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
- b. the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

Credit risk management

In October 2014, the BSP issued BSP Circular No. 855 which provides for new guidelines on sound credit risk management practices. BSP Circular No. 855 mandates banks to establish appropriate credit risk strategy and policies, processes and procedures including cash flow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value (**CV**) for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value, which is the loan amount extended by banks to its borrowers. The current industry practice is an LTV ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks' real estate exposures to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialised and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

Further on 27 June 2014, the BSP issued BSP Circular No. 839 requiring banks to undergo real estate stress tests while setting prudential limits for banks' real estate exposures to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks as well as thrift banks must meet a capital adequacy ratio of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new real estate stress test capital requirements.

On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued BSP Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organised market under the Government Securities Repo Program shall be subject to the reserve requirement of zero percent (0%) beginning the first week of December 2017.

On 20 August 2020, the BSP issued Circular No. 1093 which amends the real estate limits of banks. The previous limit of 20% on real estate exposure of universal and commercial banks had been increased to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing which was included in the previous regulations. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On 4 January 2021, the BSP issued Memorandum Circular No. M-2021-002 granting regulatory relief to foreign bank branches with respect to their compliance with the single borrower's limit (SBL). Existing foreign bank branches established in the Philippines prior to Republic Act No. 10641 that breach the SBL shall not be subject to sanctions until 31 December 2021, provided certain conditions are met.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

Limitations on operations

The Single Borrower's Limit

Except as prescribed by Monetary Board for reasons of national interest, the total amount of loan, credit accommodations and guarantees (determined on the total credit commitment) that may be extended by a bank to any person or entity shall at no time exceed 20.0% of the net worth of the bank (or 30.0% of the net worth of the bank in the event that certain types and levels of security are provided). This ceiling may be adjusted by the

Monetary Board from time to time. as at 31 December 2011, the ceiling applicable to the Bank was 25.0% (or 35.0% of the net worth of the bank in the event that certain types and levels of security are provided). The ceiling may be increased by the following percentages: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, nonperishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under the Public-Private Partnership Program of the government duly certified by the Secretary of Socio-Economic Planning; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from 6 December 2010; and (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank which is also engaged in energy and power generation. To encourage BSFIs to engage in agricultural value chain financing, the total amount of loans, credit accommodations and guarantees may also be increased by an additional 25.0% granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain, which shall only be for a period of three years from 14 March 2016, subject to review after said period.

The limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items. On 5 July 2017, the BSP issued BSP Circular No. 965, approving the guidelines on the exclusion from the SBL of banks and quasi-banks' short-term exposures to clearing and settlement banks arising from payment transactions.

On 30 April 2018, the BSP issued BSP Circular No. 1001 which provided for a separate individual limit of 25.0% of the net worth of the lending bank for loans, credit accommodations and guarantees granted by a bank to an entity for the purpose of project finance. The applicability of the separate individual limit shall be subject to the following conditions: (a) the unsecured portion shall not exceed 12.5% of the net worth of the lending bank when the project is already operational; (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project document; (d) the lending bank shall consider its total project finance exposures in complying with the guidelines in managing large exposures and credit risk concentrations; (e) the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions.

On 10 February 2020, the BSP issued Circular No. 1073 which extended the transitory period on single borrower's limit of foreign bank branches to until 31 December 2020. On 4 January 2021, the BSP issued Memorandum No. M2021-002 again extending the transitory period. Existing foreign branches shall be given until 31 December 2021 to use twice the level of capital as net worth, as reference point for purposes of determining the appropriate SBL.

BSP issued BSP Memorandum No. M-2020-11 dated 19 March 2020, Memorandum No. M-2020-057 dated 21 July 2020, Memorandum No. M-2021-026 dated 26 April 2021, and Memorandum No. M-2022-004 which provided relief measures to BSFIs. This includes an increase in the single borrower's limit from 25% to 30% until 31 December 2022.

On 22 July 2020, the BSP issued Circular No. 1091, which excluded debt securities held by market makers from the single borrower's limit for a period of ninety (90) days from the date of acquisition, if acquired from 1 August 2020 to 31 July 2021, and not exceeding sixty (60) days, if acquired after 1 August 2021. On 5 January 2023, the BSP issued Circular No. 1164 which provided for minimum operational requirements for credit

risk transfer agreements to be excluded from the total credit commitment of a bank to a borrower in reckoning compliance with the Single Borrower's Limit.

On 5 January 2023, the BSP issued Circular No. 1164 which provides for the definition of credit risk transfer and clarifies that loans and other credit accommodations or portion thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the SBL. Meanwhile, the portion of the loans and other credit accommodations that is not covered by an effective credit risk transfer arrangement, if any, shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

On 13 December 2023, the BSP issued Circular No. 1185 granting an additional SBL of 15% of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, and a gradual reduction of the reserve requirement rate from 1% for the first year from effectivity thereof, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks.

Limitation on Transfer of Shares

Prior approval by the BSP is required for the transfers or acquisitions, or a series thereof, of at least ten percent (10%) of the voting shares in banks or quasi-banks. The selling or conveying stockholder shall submit such transfer or acquisition for approval by the BSP within such period as may be prescribed by the Monetary Board. In approving such transfers or acquisitions, regard shall be given by the BSP to the fitness of the incoming stockholders as may be indicated in their integrity, reputation and financial capacity.

Without BSP approval, no such transfer or acquisition shall have legal effect nor shall the same be recognized in the books of the institution or by any government agency, and the transferor-stockholders shall remain accountable and responsible therefor.

Transfer of actual control or management of the institution to the new stockholders or their representatives prior to BSP approval shall make the transferor, the transferee and any person responsible therefor liable under Sections 36 and 37 of the New Central Bank Act. Notwithstanding any provision of law to the contrary, the BSP may share with the Philippine Deposit Insurance Corporation any information that the BSP may obtain pertaining to transfer or acquisition of shares or series of transfers or acquisition of shares in banks and quasi-banks.

Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the board of directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The DOSRI account shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. The limitation excludes loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk.

Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from: (1) his bank or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of 5% of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and

may be used by the examiners only in connection with their supervisory and examination responsibility or by the BSP in an appropriate legal action it has initiated involving the deposit account.

On 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

On 23 June 2016, the BSP issued BSP Circular No. 914, Series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. BSP Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan/Public Investment Program (PDP/PIP) needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

On 23 December 2020, the BSP issued BSP Circular No. 1107, wherein the Monetary Board approved the prudential requirements for designated clearing and settlement banks for purposes of compliance with DOSRI regulations, as well as foreign currency deposit unit (FCDU) asset cover and minimum capital requirements. The Monetary Board approved the exclusion of The terms loans, other credit accommodations and guarantees by Interbank call loan transactions, and short-term exposures of designated clearing and settlement bank to other financial institutions that own or control directly or indirectly such clearing and settlement bank, pursuant to its function as designated clearing and settlement bank. Short-term exposures shall cover payment transactions pertaining to fund transfer services, check clearing, foreign exchange trades, security trades, security custody services, and other short-term payment transactions that pass through a clearing and settlement account. An exposure is considered short-term if the placement of funds into a clearing and settlement account does not exceed five (5) banking days. The designated clearing and settlement bank shall adopt appropriate control measures to ensure that the account opened in financial institutions that own or control directly or indirectly such clearing and settlement bank is maintained exclusively for facilitating the clearing and settlement of short-term transactions, and said account is not subject to a minimum balance requirement.

Limitations on Loans and Credit Accommodations

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the Expanded Housing Loans Program of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the titleholder of the unencumbered chattels and intangible properties or his assignee.

On 4 February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and amending the inclusions and exclusions to be observed in the computation.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 27 October 2017, the BSP issued BSP Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) IBCLs; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/ multilateral financial institutions where the Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

On 20 August 2020, the BSP Circular No. 1093 expanded the real estate loan limit for universal and commercial banks from 20% to 25%.

On 19 January 2023, the BSP approved Circular No. 1165, which imposed a 36% annual interest rate ceiling on all credit card transactions and a ₱200.00 maximum processing fee in the case of credit card cash advances, except credit card installment loans which shall be subject to a monthly add-on rate not exceeding 1%, subject to review by the BSP every six months.

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities. Further, the BSP may impose conditions on the any approval of a major investment and has the authority to seek corrective action.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate shall be considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five years or as may be prescribed by the Monetary Board.

On November 26, 2019, the BSP issued Memorandum Circular No. M-2019-028, requiring all BSP-supervised financial institutions to take the enumerated preventive measures against illegal investment schemes, including "Ponzi Scheme(s)."

On February 4, 2021, the BSP issued Circular No. 1109, reducing the minimum size of each investment management account and expanding the securities eligible as investment outlet for commingled funds under investment management.

On 23 August 2022, the BSP issued Circular No. 1149 which provides the guidelines on the integration of sustainability principles in investment activities of banks. This Circular requires banks to consider environmental and social risks in defining credit risk appetite and ensure that such investment does not contribute to sectors considered to have harmful effects to the environment or society. The Circular covers all of a bank's investments in the trading and banking books but do not apply to bank's (a) investments that grant control over an enterprise and are accounted for using the equity method; (b) transactions in derivatives involving stand-alone contracts; and (c) receivables arising from repurchase agreements.

On 8 August 2024, the BSP issued Circular No. 1199 which provides for the guidelines on the divestment of equity investments by banks which are not allowed under applicable laws or which do not comply with applicable regulations. Under this Circular, a bank which has been directed to divest specific equity investments which do not comply with applicable regulations are required to submit a divestment plan to the appropriate supervising unit or department of the BSP and regularly provide status of the implementation of the plan.

Prohibition to act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Limitations on Outsourcing

A bank is prohibited from outsourcing its inherent banking functions, such as the taking of deposits from the public, granting of loans and extension of other credit exposures, management of risk exposures, and general management.

Management contracts of banks with management firms shall be limited to consultancy and advisory services. It can outsource, in accordance with BSP regulations, certain activities to address resource constraints and to have access to certain areas of expertise. Should the bank opt to outsource, it shall manage its risks such as reputational/legal, operational, confidentiality, compliance, country and concentration risks.

On 18 February 2022, the BSP issued Circular No. 1137 which requires banks to evaluate whether an outsourcing arrangement is material or non-material to the business. An arrangement is considered material if a business disruption of an outsourced activity, service delivery failure and/or data/security breach will result in significant impact to the bank's operations, financial condition, reputation, and compliance with laws and regulations. For material outsourcing arrangement, only banks with a Supervisory Assessment Framework composite rating of at least "3" shall be allowed to outsource designated activities without prior BSP approval, subject to notification requirements. Otherwise, Banks with lower rating must secure approval from the appropriate supervising department prior to implementation of the material outsourcing arrangement. Moreover, the said issuance requires the observance of the guidelines and requirements of outsourcing to third-party providers when the bank itself acts the service provider, or participates in intra-group outsourcing or engages in offshore outsourcing.

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- receive in custody funds, documents and valuable objects;
- act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business;
- upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and

- rent out safety deposit boxes.

BSP Circular No. 1003, issued on 16 May 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

The Framework for Basic Deposit Accounts, found in BSP Circular No. 992 dated 1 February 2018, was issued, with a view towards promoting account ownership among the unbanked by imposing no minimum maintaining balance and an opening amount of not more than ₱100.00. It also supports the National Retail Payments System, which aims to promote resort to digital payments in the country. On 5 October 2018, BSP issued Memorandum No. M2018-27, prescribing the guidelines on the electronic submission of the updated reports arising from Circular No. 992.

BSP Circular No. 1049, Series of 2019, which implements RA No. 11127 on (The National Payment Systems Act, allows banks to function as an Operator of Payment Systems (OPS). Banks can register as an OPS by notifying the BSP of their OPS activities.

An OPS is a person that performs any of the following functions:

- Maintains the platform that enables payments or fund transfers, regardless of whether the source and destination accounts are maintained with the same or different institutions;
- Operates the system or network that enables payments or fund transfers to be made through the use of a payment instrument;
- Provides a system that processes payments on behalf of any person or the government; and
- Such other activities similar to the foregoing.

On 19 July 2024, the BSP issued Circular No. 1198 on the Regulatory Framework for Merchant Payment Acceptance Activities. Under this Circular, entities, including banks, are required to secure an authority from the BSP prior to engaging in merchant acquisition in the Philippines or providing the service of accepting and processing payment transactions on behalf of a merchant under an agreement, resulting in a transfer of funds to the merchant. Based on this Circular, banks with concurrent OPS license that are engaged in or intending to engage in merchant payment acceptance activities are expected to adhere to the more stringent requirements between the guidelines under BSP Circular 1198 and the applicable provisions of the MORB.

Anti-Money Laundering Act of 2001

The AMLA, as amended, requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, record keeping and reporting of covered and suspicious transactions.

On 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the AMLA covered institutions and crimes. Additions to the enumeration of covered persons include jewellery selling agents for transactions in excess of ₱1 million; company service providers, or those who form companies for third parties, hold positions as directors or corporate secretaries for third parties, provide business addresses or engage in correspondence or act as nominee shareholder for others. Likewise, the following persons were added to the list: persons (a) who manage their client's money, security or other assets, or (b) who manage bank or securities accounts, or (c) who organise funds for the creation, operation or management of companies, or (d) who create, operate or manage entities or relationships, or (e) buy and sell business entities. The 2016 Revised Implementing Rules and Regulations of the AMLA was approved by the AMLC on 21 December 2016. On 15 March 2017, the BSP issued BSP Circular No. 950 to amend the Manual in order to effectively implement the provisions of the AMLA, as amended, and the revised implementing rules and regulations of the AMLA, as amended. In July 2017, RA No. 10927 further expanded the coverage of AMLA to include casinos for a single casino cash transaction involving an amount in excess of ₱5 million or its equivalent in any other currency. In

January 2021, RA No. 11521 added two new covered persons who are now required to report covered and suspicious transactions to the Anti-Money Laundering Council – (1) “real estate developers and brokers;” and (2) “offshore gaming operators, as well as their service providers, supervised, accredited or regulated by the Philippine Amusement and Gaming Corporation (PAGCOR) or any government agency.” This also provided a new kind of covered transaction -- for real estate developers and brokers, a single cash transaction involving an amount exceeding ₱7.5 million will be a covered transaction.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one Banking Day, and for covered persons under Section 3(a)(8), a single casino transaction involving an amount in excess of ₱5 million or its equivalent in any other currency.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- there is no underlying legal or trade obligation, purpose or economic justification;
- the customer or client is not properly identified;
- the amount involved is not commensurate with the business or financial capacity of the client;
- the transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- there is a deviation from the client’s profile or past transaction;
- the transaction is related to an unlawful activity or offence under the AMLA;
- similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one year imprisonment and/or fine of ₱500,000.00.

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

- (a) transacts said monetary instrument or property;
- (b) converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- (c) conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- (d) attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
- (e) aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above;

- (f) performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above; and
- (g) knowingly fails to disclose and file with AMLC any monetary instrument or property required to be disclosed and filed.

Certain inquiries on bank deposits and investments made by the AMLC are exempted from the Bank Secrecy Laws. The AMLC may inquire into or examine deposits or investments, including related accounts, with any banking institution or non-bank financial institution upon order of the Court of Appeals based on an ex parte application in cases of violations of the AMLA, when there is probable cause that such deposits or investments are related to an unlawful activity under Sec 3 (i). However, there are certain activities wherein a court order is not required to examine such accounts.

Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals of the Philippines (**Court of Appeals**), upon verified ex-parte application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which shall be effective immediately, and which shall not exceed six months depending upon the circumstances of the case. However, if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order shall be deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets. Further, a freeze order or asset preservation order shall be limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime.

On 11 December 2024, the AMLC issued Regulatory Issuance No. 2, Series of 2024 of the “Guidelines on Transaction Reporting and Compliance Submissions (‘GoTRACS’)” to provide covered persons with a set of guidelines to carry out one of their primary duties as covered persons, particularly on transaction reporting.

BSP Circular No. 495 issued on 20 September 2005, as amended by BSP Circular 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank’s attention, transactions and/or accounts that qualify either as “covered transactions” or “suspicious transactions” as defined under AMLA.

BSP Memorandum No. M2012-017 issued on 4 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (**ARRS**), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of nondiscrimination against certain types of customers.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of five years from the date of a transaction, unless a case has been filed involving the account, then the records must be retained and safely kept beyond the five year period until it is officially confirmed by the AMCL Secretariat that the case has been resolved, decided or terminated with finality. Records of closed accounts must also be kept for five years after their closure.

On 20 April 2018, the AMLC issued AMLC Letter No. AMLET-18-03, providing for Operational Guidelines in the Conduct of the 2018 Third Round Mutual Evaluation of the Philippines (the **Guidelines**). The Guidelines aim to (a) create an inter-agency Mutual Evaluation Working Group and sub-working groups; (b)

enumerate the functions and obligations of the member-agencies with respect to the Mutual Evaluation process; (c) outline the Mutual Evaluation process and provide guidance as to the different components of the process; (d) provide timelines for the Mutual Evaluation process and Mutual Evaluation-related activities; (e) enumerate effects of a “non-compliant” or “poor” Mutual Evaluation; and (f) lay down the framework towards the adoption of a national anti-money laundering/counter-financing of terrorism (AML/CFT) Strategy. The Guidelines are addressed to all participating government agencies and other entities.

The Mutual Evaluation is a government-wide concern as what will be assessed is the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime. The entire Mutual Evaluation process spans two (2) years, and will require the support and active participation of various government agencies, including supervisory authorities, law enforcement agencies, and public and private stakeholders. The Philippines will be evaluated by a pool of experts from Financial Intelligence Units from other member-jurisdictions of the Asia-Pacific Group on Money Laundering (APG), pursuant to the APG’s membership rules.

On 22 November 2018, the AMLC approved the 2018 Implementing Rules and Regulations of the AMLA prescribing, among others, the guidelines on identifying and recording beneficial ownership. In relation thereto, on 14 January 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs of the guidelines issued by the AMLC on digitisation of customer records and identification of beneficial owners.

Moreover, the Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001 requires compliance officers which will oversee the Anti-Money Laundering Program. This is also reflected in the amendments to the Revised Corporation Code mandating banks to elect a compliance officer.

On 17 November 2021, the AMLC issued Regulatory Issuance No.8 providing for the guidelines on the preservation, management, and disposal of assets subject of a freeze order, asset preservation order, and judgment of forfeiture.

On 29 January 2020, the AMLC issued AMLC Regulatory Issuance (ARI) A, B and C No. 1 (2020), which amends certain provisions of the 2018 implementing Rules and Regulations of Republic Act No. 9160, as amended.

The ARI added provisions on immediate family members and close associates of politically-exposed persons and expanded the definition of a customer or client to include juridical persons. Such resolution also provided that the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof.

On 23 November 2020, the BSP issued Memorandum No. M-2020-084, which introduced the money laundering/terrorist/proliferation financing risk assessment system (MRAS) for BSP-supervised financial institutions. The MRAS employs a four-point rating scale to categorize the net risk of money laundering, terrorist financing, and proliferation financing, ranging from low, moderate, above average, to high. The MRAS replaces the previous anti-money laundering risk rating system (ARRS) that was used for BSP-supervised financial institutions. On 29 April 2024, the BSP issued Circular No. 1193 which amended the relevant regulations of the BSP on money laundering/terrorist/proliferation financing reporting and notification requirements. The Circular was issued to enable the BSP to have timely and accurate information on significant risk events arising from money laundering/terrorist/proliferation financing-related activities and or transactions, as part of its risk-based anti-money laundering and countering the terrorism and proliferation financing supervision.

On 29 January 2021, the AMLA was further amended to include violations under the SRC and Strategic Trade Management Act. It also includes tax deficiencies in excess of ₱25,000,000. The AMLC is also empowered to issue *ex parte* freeze orders in cases of violations involving terrorist financing.

On 30 March 2023, the BSP issued Circular No. 1170 which provided amendments on the regulations relating to the banks’ conduct of customer due diligence. Under this Circular, banks are required to use a risk-based approach in conducting customer due diligence. It provides regulations on electronic Know-Your-Customer (e-KYC) using digital identity (ID) system.

On 4 July 2023, the Office of the President issued Memorandum Circular No. 33, adopting the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027. This strategy outlines seven strategic objectives designed to address the risks and deficiencies in the Philippines' AML/CFT systems. Each objective includes action plan items to be completed by relevant government agencies.

The strategy aims to respond to findings from the Asia Pacific Group on Money Laundering and the FATF, which placed the Philippines on the Grey List, or “Jurisdictions Under Increased Monitoring,” after a twelve-month observation period due to the country's failure to make tangible progress on key FATF recommendations. By reorganizing the National AML/CTF Coordinating Committee and implementing the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027, the Philippine government aims to enhance the effectiveness of its AML, CTF, and CPF measures and facilitate the country's removal from the FATF Grey List.

On 21 February 2025, the AMLC announced the removal of the Philippines from the FATF’s Grey List. According to the AMLC, the Philippines’ exit from the FATF greylist is expected to facilitate faster and lower-cost cross-border transactions, reduce compliance barriers, and enhance financial transparency. These will support business, strengthen the country's position as an attractive destination for foreign direct investment, and benefit Filipinos, particularly overseas Filipino workers.

Revised Corporation Code

The Revised Corporation Code was signed into law on 20 February 2019 and became effective on 8 March 2019. Among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Securities and Exchange Commission (Commission) that it elects to retain its specific corporate term under its current Articles of Incorporation. If the bank’s corporate term has expired, an application for the revival of its corporate existence must be accompanied by a favourable recommendation from the BSP.
- A corporation vested with public interest must submit to its shareholders and to the Commission an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (NSSLA), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least twenty percent (20%) independent directors in the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Commission.
- The Code allows the creation of a “One Person Corporation”. However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.
- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorised by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to

the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- As to amendments made to the articles of incorporation or by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such articles of incorporation, bylaws or amendments are in accordance with law, must be submitted.
- A favourable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation; or any voluntary dissolution.
- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

RA No. 10667, or the Philippine Competition Act (**PCA**) was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the **PCC**), an independent quasi-judicial agency with five commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, however, the PCC must still apply for a warrant with the relevant court.

The PCA prohibits and imposes sanctions on: (a) anti-competitive agreements between or among competitions, (b) mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition, and (c) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to certain exceptions.

On 3 June 2016, the PCC issued the implementing rules and regulations of the PCA (**IRR**). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when:

- (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1 billion; and
- (b) the value of the transaction exceeds ₱1 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1 billion.

On 10 March 2018, the PCC issued Memorandum Circular No. 1-001 (**MC No. 18-001**) to amend Section 3, Rule 4 of the IRR to increase the initial thresholds. Under MC No. 18-001, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the

Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5 billion; and (b) the value of the transaction exceeds ₱2 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2 billion. As provided in MC No. 18-001, the thresholds shall be automatically adjusted commencing on 1 March 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal gross domestic product growth of the previous calendar year rounded up to the nearest hundred million. The revised thresholds, however, shall not apply to mergers or acquisitions pending review by the PCC; notifiable transactions consummated before the effectivity of the memorandum circular; and transactions already subject of a decision by the PCC.

PCC Commission Resolution No. 3-2019 further adjusted the thresholds such that effective 1 March 2019, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5.6 billion; and (b) the value of the transaction exceeds ₱2.2 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. On 11 February 2020, the notification thresholds were further adjusted by PCC Commission Resolution No. 02-2-2020 such that effective 1 March 2020, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱6 billion; and (b) the value of the transaction exceeds ₱2.4 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.4 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.4 billion.

Violations of the PCA and the IRR have severe consequences. Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into anti-competitive agreements, as defined, include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and wilfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure (**Rules of Procedure**) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules of Procedure also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedures (the **Merger Rules**) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the IRR. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within thirty (30) days from the signing of definitive agreements relating to the notifiable merger.

On 28 May 2019, the PCC approved the Expedited Merger Rules which apply when: (1) there are no actual or potential horizontal or vertical (including complementary) relationship in the Philippines between the acquiring entity and the acquired entity and the entities it controls; (2) the merger is a global transaction where

the acquiring and acquired entities identified in the definitive agreement are foreign entities (**foreign parents**), and their subsidiaries in the Philippines act merely as manufacturers or assemblers of products with at least 95% of such products exported to the foreign parents, subsidiaries, affiliates or third parties located outside the Philippines: Provided, That the remaining 5% product sales in a market in the Philippines is minimal in relation to the entirety of such Philippine product market; (3) the candidate relevant geographic market of the merger is global and the acquiring and acquired entities have negligible or limited presence in the Philippines; and (4) joint ventures, whether incorporated or not, formed purely for the construction and development of a residential and/or commercial real estate development project.

On 19 January 2021, the PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the 2017 Rules of Procedure and the Rules of Merger Procedure. Administrative fines may amount to up to ₱275 million. Commitment of acts such as, failure to comply with a ruling, order, or decision of the PCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000 up to ₱2.2 million.

On 13 September 2022, the PCC issued Memorandum Circular No. 18-2022, setting the thresholds for the Size of Party Test and Size of Transaction Test at ₱6,100,000,000 and ₱2,500,000,000, respectively. The PCC, in Commission Resolution No. 04-2023, further adjusted the thresholds for the Size of Party Test and Size of Transaction Test. As of 1 March 2023, transactions which meet the Size of Party threshold of ₱7,000,000,000 and Size of Transaction threshold of ₱2,900,000,000 are subject to compulsory notification.

The threshold amounts were last modified by the PCC in Memorandum Circular 01-2024 issued by the PCC on 21 February 2024. Effective 1 March 2024, mergers and acquisitions that exceed the Size of Party and Size of the Transaction thresholds set at ₱7.8 billion and ₱3.2 billion, respectively, are subject to mandatory PCC notification.

Data Privacy Act

RA No. 10173, otherwise known as the Data Privacy Act of 2012 (**Data Privacy Act**), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (**ICT**), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes. It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognises the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of “personal information”, which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors”. It also provides for penal and monetary sanctions for violations of its provisions.

The Data Privacy Act does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the Anti-Money Laundering Act and other applicable laws.

Financial Institutions Strategic Transfer Act of 2021

RA No. 11523, otherwise known as the Financial Institutions Strategic Transfer (FIST) Act (**FIST**) was signed into law on 16 February 2021 and became effective on 17 February 2021, to ensure that banks and financial institutions are able to maintain their financial health to cushion the adverse economic impact of COVID-19. The FIST aims to reduce non-performing loans (**NPL**) of banks. It provides certain incentives and privileges which will allow banks and financial institutions (**FI**) to easily dispose of their non-performing assets (**NPA**) to FIST Corporations (**FISTC**).

Under the FIST, the transfer of NPAs from the FI to a FISTC, and from a FISTC to a third party or dation in payment by the borrower or by the third party in favor of the FI or FISTC shall be exempt from the following taxes:

- i. Documentary stamp tax on NPAs and dation in payment;
- ii. Capital gains tax on transfer of lands and other assets treated as capital assets;
- iii. Creditable withholding tax imposed on transfer of lands and other buildings treated as ordinary assets;
- iv. VAT on transfer of NPAs or gross receipts tax, whichever is applicable.

FISTC may also avail of a fifty percent (50%) reduced rate on the following:

- i. Registration and transfer fees on transfer of real estate mortgage and security interest to and from the FISTC;
- ii. Filing fees for any foreclosure proceeding; and
- iii. Land registration fees.

These incentives and privileges shall be available for a period of two (2) years from the date of effectivity of the FIST. In addition, transfer of NPAs from a FISTC to a third party within such two (2)-year period, or within such extended period, or transfers by way of dation in payment by a borrower or by a third party to the FISTC shall enjoy the privileges for five (5) years from the date of acquisition by the FISTC, provided that properties acquired by a FISTC from GFIs or GOCCs which are devoted to socialised or low-cost housing shall not be converted to other uses.

Any loss of an FI as a result of the transfer of an NPA within the two (2)-year period shall be treated as an ordinary loss. Such loss may be carried over for five (5) consecutive taxable years.

On 23 June 2021, the BIR issued Revenue Regulations No. 11-2021 providing for the guidelines and procedures in availing the tax exemptions and privileges granted under the FIST.

Financial Products and Services Consumer Protection Act

RA No. 11765, otherwise known as the Financial Products and Services Consumer Protection Act (**FPSCPA**) was signed into law on 6 May 2022 to afford more protection to consumers of financial products and services by strengthening the powers of financial regulators, such as the BSP, which include market conduct surveillance and examination, market monitoring, adjudication, and enforcement. Such enforcement actions may include the following:

- i. restriction on the ability of a financial service provider to continue to collect excessive or unreasonable interests, fees, or charges;
- ii. disqualification and/or suspension of corporate officers of the supervised financial service provider responsible for violations of the FPSCPA, its implementing rules and regulations, or orders of the financial regulators;

- iii. imposition of fines, suspension, or penalties for any noncompliance with or breach of the FPSCPA, its implementing rules and regulations, or orders of the financial regulators;
- iv. issuance of a cease-and-desist order to the financial service provider without the necessity of a prior hearing, if in the financial regulator's judgment, the act or practice, unless restrained, amounts to fraud or a violation of the FPSCPA and its implementing rules and regulations, or may unjustly cause grave or irreparable injury or prejudice to financial consumers;
- v. suspension of operations of any supervised financial service provider; and
- vi. in addition to the imposed fine, entering an order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FPSCPA and other existing laws.

In addition to the foregoing, financial service providers, such as banks, are tasked to continuously evaluate their financial products or services to ensure that they are appropriately targeted to the needs, understanding and capacity of both their markets and their clients, which shall include, among others, the conduct of affordability and suitability assessments, the adoption of a clear cooling-off policy, and the provision of pre-payment of loans and other credit accommodations to its borrowers.

On 28 November 2022, the BSP issued Circular No. 1160 amending the MORB to include guidelines on Financial Consumer Protection Framework to implement the FPSCPA.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank's products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

Under BSP Circular No. 542, dated 1 September 2006, the BSP released the new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank's board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorised transactions in electronic banking. Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa (EMV) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 1 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSFIs are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offense and will subject these institutions to monetary sanctions provided under relevant provision of the Manual.

On 22 February 2019, the BSP issued BSP Circular No. 1033 introducing certain amendments to the regulations on electronic banking services and other electronic operations, particularly electronic payment and financial services (EPFS). EPFS are products and services that enable customers to receive payments or initiate financial transactions and other related services through an electronic device. BSP Circular No. 1033 requires the prior approval of the BSP to offer EPFS and certain reportorial requirements must be submitted to the BSP.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (API) and the good practices for API management.

On 21 January 2022, the BSP issued BSP Circular No. 1135, providing for the Guidelines on the Settlement of Electronic Payments Under the National Retail Payment System (NRPS) Framework. This is in line with the BSP's goal to ensure the efficiency of payment systems in the country. In line with this, the Bangko Sentral requires BSP-Supervised Financial Institutions participating in an Automated Clearing House (ACH) for electronic payments to ensure that the ACH provides certainty of settlements of the multilateral clearing obligations of the clearing participants.

On 7 February 2023, the BSP issued Circular No. 1166 which amended the regulations on electronic money (**E-Money**) and operations of E-Money issuers (**EMIs**) in the Philippines. The Circular clarified that the E-Money issued under closed-loop electronic wallet systems is not covered by the regulations and provides additional guidelines which shall govern the issuance and operations of E-Money, including the regulations on minimum systems and controls required from EMIs, consumer protection regulations, minimum disclosure requirements, liquidity requirements and capital requirements, among others.

Related Party Transactions

BSP Circular No. 895, dated 14 December 2015, announced the approval of guidelines strengthening oversight and control standards for managing related party transactions of banks and their non-bank financial subsidiaries and affiliates. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasised that related party transactions are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the board, as an oversight body, shall have overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The board is expected to approve an overarching policy on the handling of related party transactions that should cover the scope of its related party transactions policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, banks that are part of conglomerates are required to create a related party transactions committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that related party transactions are processed in the regular course of business, and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of related party transactions and specific details of exposures to related parties.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP's thrust to strengthen oversight over related party transactions by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the related party transactions committee of BSP supervised financial institutions.

On 25 April 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly Listed Companies), mandating additional disclosure/ reportorial requirements for material related party transactions (**MRPTs**) amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the Philippine SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs

entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report (I-ACGR) submitted annually every May 30.

Taxation for Banks

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%.

Taxable net income refers to items of income specified under Section 32 (A) of the **Tax Code** (the National Internal Revenue Code of 1997, as amended), less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

Beginning 1 July 2020 and until 30 June 2023, a minimum corporate income tax (**MCIT**) rate equivalent to 1% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax, provided that after 30 June 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year. Any excess MCIT paid over the regular corporate income tax can be carried forward as a tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Net operating loss carry-over (**NOLCO**) can be claimed as deduction against taxable income within three years after NOLCO is incurred. NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction against taxable income for the next 5 consecutive taxable years pursuant to Section 4(bbbb) of the Bayanihan 2 Act and as implemented under RR No. 25-2020.

Since banks are in the regular business of lending, interest income derived by banks from lending activities which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 25% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 33% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;
- a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to Revenue Regulations No. 05-99 (as amended by Revenue Regulations No. 25-02), in order for banks to claim bad debts as tax deductions, they must submit a written approval from the BSP stating that the indebtedness can be written off from the banks' books of accounts at the end of the taxable year, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible. However, on 29 October 2014, the BSP issued Circular No. 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contact within thirty (30) business after every write-off with a sworn statement signed by the President of the financial institution or officer of equivalent rank that write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy. Based on the said circular, a notice to the BSP would suffice, and that BSP approval with respect to a write-off of a bad debt not related to a DOSRI transaction, is no longer required.

The banks' passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to percentage tax or GRT, which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 (**RMC 62-2016**) seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income characterised as other fees and charges and should itself be subject to a 5% or 7% GRT depending on the provision of the Tax Code covering the type of income or activity.

ROPA of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, value in the tax declaration or selling price, which shall be withheld by the buyer and can be used as a credit against the bank's taxable income in the year that the gain is realised.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which shall be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except those instruments with maturity of more than five years as these are exempt from income tax.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranches.

IBCLs with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes and are not subject to documentary stamp tax except if they have a maturity of more than seven days.

FCDU transactions with non-residents of the Philippines, offshore banking units (**OBUs**), FCDUs of local banks and branches of foreign banks (i.e., offshore income) are tax-exempt, while interest income from foreign currency loans granted by FCDUs of depository banks to residents other than OBUs or other depository banks under the expanded system is subject to 10% final withholding tax. All other income of FCDUs is taxable at regular corporate income tax of 25%.

On 19 December 2017, the President of the Philippines signed into law the TRAIN Law which took effect on 1 January 2018. The TRAIN Law amends certain provisions of the Tax Code and is the first package of the Comprehensive Tax Reform Program (**CTRP**) of the Duterte administration. The relevant changes of the TRAIN Law are incorporated in the section titled "*Philippine Taxation*" of this Offering Circular.

On 14 February 2019, the President signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 (**Tax Amnesty Law**), as amended by Republic Act No. 11569 and 11956, which was intended to complement the provisions of the TRAIN Law. However, following the President's veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years, the current Tax Amnesty Law only grants estate tax amnesty for estates of decedents who died on or before 31 May 2022 and whose estate taxes have remained unpaid or have accrued as at 31 May 2022 and tax amnesty on delinquencies covering all national internal revenue taxes for taxable year 2017 and prior years.

Meanwhile, the second package of the tax reform package, formerly known as CITIRA, and now referred to as the Corporate Recovery and Tax Incentives for Enterprises (**CREATE**) bill, was passed by the Philippine House of Representatives on 13 September 2019 and was approved by the Ways and Means Committee of the Philippine Senate on 19 February 2020. On 24 February 2021, CREATE was transmitted to the Office of the President for his approval. On 9 March 2020, the bill was also certified as urgent by Philippine President Rodrigo Duterte.

On 26 March 2021, the President signed into law the CREATE Law, lowering the corporate income tax and rationalizing fiscal incentives granted to investors. Under the CREATE Law, the corporate income tax rate for domestic corporations considered as MSMEs under the CREATE Law, shall be taxed at 20%; the income tax rate for other domestic and resident foreign corporations was reduced to 25%; the income tax rate of nonresident foreign corporations was reduced to 25%; the MCIT rate was reduced to 1%, instead of 2%, until 30 June 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of

incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the National Economic and Development Authority and ability to generate jobs. *See also “Investment Considerations – Risks Relating to the Bank’s Business – Changes to regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP, the Bureau of Internal Revenue (the BIR) and international bodies, including the Financial Action Task Force (the FATF) may have an adverse impact on the Bank.”*

The other tax reform packages that the government hopes to implement include tax amnesty (estate, general), as well as “sin” (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP relating to passive income and financial intermediaries proposes to impose (i) a single final withholding tax rate of 15% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single rate of 15% on interest income, dividends and capital gains, (iii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), regardless of the maturity of the instrument, except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) gradually reduce the stock transaction tax until it reaches zero by 2026 and removal of the transaction tax on listed and traded debt instruments by 2026, and (vi) exemption of non-monetary documents from DST.

On 22 January 2024, Republic Act No. 11976, otherwise known as the Ease of Paying Taxes Act (EOPT) took effect. The EOPT amended various provisions of the Tax Code relating to the filing and payment of taxes and other provisions intended to protect the taxpayer’s rights, modernize tax administration, and adopt best practices.

On 8 November 2024, RA No. 12066 or the CREATE MORE was passed, amending the CREATE Act. The CREATE MORE establishes a simplified VAT refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

Certain tax preferential tax rates and exemptions available to banks and their transactions under existing laws may be affected by existing bills. Currently pending in the Philippine Senate is the Package 4 of the Comprehensive Tax Reform Program (House Bill No. 4339 or more commonly known as Passive Income and Financial Intermediary Taxation Act or **PIFITA**), a proposed tax reform measure which aims to: (1) removal of the preferential tax treatment of the expanded foreign currency deposit system; (2) adopt a single gross receipts tax of 5% imposed on banks, quasi-banks, and certain financial intermediaries; (3) harmonize business taxes on financial intermediaries; and (4) rationalize documentary stamp tax rates. In relation to debt instruments, HB No. 4339 seeks to introduce a uniform final withholding tax rate on interest income on deposit substitutes and interest income on long-term deposits or investments of 20% (as opposed to a range between 20% to 25%), unless a treaty rate applies. However, before HB No. 4339 can become a law, it must be considered and approved by the Senate before the Philippine congress adjourns on 13 June 2025 and signed into law by the President.

Pending concurrence by the Philippine Senate on the PIFITA, on 5 February 2025, the Capital Markets Efficiency Promotion Act (**CMEPA**), which consolidated Senate Bill No. 2865 and House Bill No. 9277, has been approved on third reading by the Philippine Congress. If enacted into law, the provisions of the CMEPA indicate that it shall take effect following its complete publication in the Official Gazette or in at least one newspaper of general circulation. The CMEPA bill, which appears to have overtaken the earlier proposed PIFITA, proposes, among others, (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) the removal of tax exemption for long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments, (iii) the reduction of the stock transaction tax, which applies to sale of shares through a local or foreign stock exchange, from 0.6 per cent. to 0.1 per cent., (iv) the reduction of the documentary stamp tax on original issuance of shares from Php2.00 for every Php200.00 based on par value of shares issued, to 0.75 per cent., and (v) standardization of the final withholding tax rate on certain passive income to 20 per cent., except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of 25 per cent. While similar to the PIFITA, the CMEPA introduces other specific revisions to the National Internal Revenue Code of 1997, as amended. It remains unclear whether the Philippine Department

of Finance endorses the CMEPA over the PIFITA, as the former only includes select provisions of the broader bill.

Other Regulations

Set out below are other regulations applicable to banks operating in the Philippines:

- *Implementation of Basel III Framework on Liquidity Standards.* On 10 March 2016, the BSP issued BSP Circular No. 905 which provided guidelines for the implementation of Basel III framework on Liquidity Standards as it relates to LCR and Disclosure Standards. The Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90.0%, which was increased to 100.0% commencing on 1 January 2019. On 3 November 2017, the BSP issued BSP Circular No. 981 which amended the guidelines on liquidity risk management. The banks have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in BSP Circular No. 981 vis-à-vis their existing risk management systems by 31 March 2018, the result of such gap analysis shall be documented and made available for review of the BSP. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On 15 March 2019, BSP issued Circular No. 1035 to introduce certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. Circular No. 1035: (i) extended the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adopted the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amended the formula for minimum liquidity ratio. . The LCR threshold is now at 100%, following the full implementation of the provisions of Circulars 1035. On 13 February 2020, the BSP issued Memorandum No. M-2020-003, and entitled Guidelines on the Electronic Submission of the BASEL III Net Stable Funding Ratio (NSFR) Report and Liquidity Coverage Ratio Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for purposes of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1035 and 1034.

- *Implementation of Basel III Framework for Dealing with D-SIBs.* On 29 October 2014, the BSP issued BSP Circular No. 856 which provided the guidelines for implementing the Framework for dealing with D-SIBs under Basel III. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1% to 2.5%. Aside from the added capital pressure, D SIBs may be put at an undue disadvantage compared to G-SIBs given that this framework was patterned for regional/global banks and which may not thus be appropriate for local banks. The phased-in compliance started on 1 January 2017 and will become fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by DSIBs which shall form part of the DSIBs' ICAAP submitted to the BSP every 31 March of each year. This was amended by Circular No. 1113, Series of 2021, which now require that the recovery plan be separate and distinct from the ICAAP document. D-SIBs must submit a separate recovery plan every 30th of June of each year, starting 30 June 2022. The submission of the ICAAP document remains to be every 31st of March of each year. The recovery plan identifies the course of action that a DSIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the DSIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators

with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year. On 17 June 2022, the BSP issued Circular No. 1148 on the Amendment to the Framework for D-SIBs which provides that the list of D-SIBs shall now be assessed/determined annually based on latest available data submitted by each bank and shall be subject to approval of the Monetary Board, with the results to be released annually. Banks identified as D-SIBs shall be informed individually, including the bucket they belong to and the individual score for each indicator.

- Regulations Governing the Derivatives Activities of Banks.* In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, BSP Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks and trust entities. Furthermore, BSP Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk weighted assets for banks that will engage in derivatives activities as end-users for hedging purposes and/or under limited-use authority. The BSP also issued BSP Circular No. 891 on 9 November 2015 amending the sales and marketing guidelines for derivatives under the Manual. Banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitisation structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the BCBS and the International Organisation of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements were phased in from 1 September 2016 to 1 March 2017 while initial margin requirements are being phased in from 1 September 2016 to 1 September 2020. As an initial step, banks and quasi-banks should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent legal and operational arrangements.
- Amendments to unit investment trust fund (UITF) Regulations.* In September 2004, the BSP issued BSP Circular No. 447 (as amended by BSP Circular No. 675 (2009), BSP Circular No. 676 (2009), Memorandum No. M-2010-033 (2010), BSP Circular No. 767 (2012), BSP Circular No. 852 (2014), BSP Circular No. 876 (2015) and BSP Circular No. 907 (2016)) which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organised exchange, loans traded in an organised market, loans arising from repo agreements which are transacted through an exchange recognised by the Philippine SEC and such other tradable investments outlets/ categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and

enhance the credibility of pooled funds to investors. In January 2008, the BSP issued BSP Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. In December 2009, the BSP issued BSP Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued BSP Circular No. 767 to include investments by UITFs in units/shares in collective investment schemes as an allowable investment and recognizing UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued BSP Circular No. 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the Key Information and Investment Disclosure Statement (**KIIDS**) and online posting of UITF information via a website. On 10 March 2016, the BSP issued BSP Circular No. 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. On 14 March 2018, BSP issued BSP Circular No. 999 which further amended the allowable investment and valuation of UITFs invested in feeder fund or fund-of-funds. Under the circular, offshore/global funds which use financial derivatives for efficient portfolio management (**EPM**) may be allowed as target fund, provided that financial derivatives are not extensively or primarily used as an investment strategy of the target fund and that the risk level of the target fund remain consistent with the objective and risk profile of the investor fund. Alternatively, the target fund shall comply with the relevant regulatory requirements of its home jurisdiction as regards the use of financial derivatives for EPM. On 5 September 2022, the BSP issued BSP Circular No. 1152, further amending the UITF Regulations. Under said circular, the BSP provided the requirements and procedure for the creation of a UITF which may require either prior approval from, or notification with, the BSP, as well as the procedure for any subsequent amendment of key features of a fund. Further, the BSP also amended, among others, the operating and accounting methodology of a UITF, the manner by which the fund is operated, depending on the fund classification, and the minimum disclosure requirements to be contained in the KIIDS, the Participating Trust Agreement, and other marketing materials pertaining to a UITF. On 9 August 2023, the BSP issued Circular No. 1178, providing for the guidelines on the selection of benchmarks for UITFs and expanding the information required to be disclosed in the KIIDS.

- *Limit on Real Estate Loans of Universal Banks.* In February 2008, the BSP issued BSP Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans, and amending the inclusions and exclusions to be observed in the computation. On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20.0% limit on real estate loans. On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%.
- *Exemption of Paired ROP Warrants from Capital Charge for Market Risk.* In connection with the Government's Paired Warrants Program, the BSP issued BSP Circular No. 605 in March 2008 exempting warrants paired with ROP Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital.
- *Guidelines on Securities Borrowing and Lending Transactions.* Guidelines by the PSE on SBL govern SBL transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008, provides guidelines on SBL transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors/lenders. In May 2008, the BSP Monetary Board authorised the issuance of BSP Registration Documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from the SBL transaction, such as rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso

denominated government securities and PSE-listed shares used as collateral. On 10 February 2020, the Philippine SEC approved the Implementing Guidelines on Securities Borrowing and Lending and Short Selling that had been proposed by the Capital Markets Integrity Corporation (**CMIC**).

- *Reclassification of Financial Assets between Categories.* The BSP issued BSP Circular No. 628 dated 31 October 2008, amending BSP Circular No. 626 dated 23 October 2008 and the Resolution of the Monetary Board No. 1423 dated 30 October 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial Institutions shall be allowed to reclassify all or a portion of their financial assets from “held for trading” or “available for sale” categories to the “available for sale” or “held to maturity” or “unquoted debt securities classified as loans” categories effective 1 July 2008. Any reclassification made in periods beginning on or after 15 November 2008 shall take effect from the date when the reclassification is made.
- *Taxes.* All banks are subject to certain tax rules specific to financial institutions. In November 2005, the Government increased the gross receipts tax (**GRT**), which is applied to a bank’s non-interest income, from 5.0% to 7.0%. On 31 June 2016, the BIR issued Revenue Memorandum Circular 62-2016 (RMC 62-2016), seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5.0% or 7.0%, depending on the provision of the Tax Code covering the type of income or activity. The Tax Code was amended by Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (**TRAIN**). Among the amendments to the Tax Code included increasing the rate of documentary stamp tax (**DST**) on debt instruments. All such affected instruments will generally be subject to DST at the rate of one peso and fifty centavos (₱1.50) on each two hundred pesos (₱200.00), or fractional part thereof, of the issue value of such instruments.
- *Rules and Regulations on the Mandatory Allocation for Agriculture and Agrarian Reform Credit.* In July 2011, the BSP issued BSP Circular No. 736 as a component of the Implementing Rules and Regulations of the Republic Act No. 10000 or the Agri-Agra Reform Credit Act. Aside from retaining the mandatory credit allocation, it also rationalises the modes of compliance. In addition to direct compliance through loans to qualified borrowers, a list of alternative compliance mechanisms is also provided. On 20 July 2018 and 3 March 2021, the BSP issued BSP Circular Nos. 1009 and 1111 further amending the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit. On 28 July 2022, Republic Act No. 11901 or the Agricultural, Fisheries, and Rural Development Financing Enhancement Act of 2022 (**RA 11901**) lapsed into law, formally repealing Republic Act No. 10000. RA 11901 provides that all banking institutions, whether government or private, except newly established banks shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least 25% of their total loanable funds for a period of five (5) years from the date of commencement of the banks’ operations. The law gives more flexibility to the banks in extending credit to the agriculture and fisheries sectors as it removed the required allocation of credit to agrarian reform beneficiaries (i.e., 10% of banks’ total loanable funds) under Republic Act No. 10000. RA 11901 also provides that banks may comply with the mandatory credit requirement by lending to rural community beneficiaries, or may invest in debt securities, and fixed term deposit products and equity securities of rural financial institutions, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others. On 9 June 2023, the BSP issued Circular No. 1174 amending the regulations and prudential reports on the Mandatory Allocation for Agriculture and Agrarian Reform Credit. The Circular provided for amendments to the computation of total loanable funds and the Financial Reporting Package (**FRP**).
- *Valuations of Government Securities Held by Banks.* In October 2013, the BSP amended the rules on valuations of government securities held by banks to reflect actual market rates, with the guideline applying to both benchmark and non-benchmark securities. Under BSP Circular No. 813, the weighted average of done or executed deals shall be used as the basis for valuation. In the absence of weighted average done deals for benchmark bonds, the simple average bids shall be used. In the absence of both weighted done deals and simple average bids for non-benchmark securities, interpolated yields derived from reference rates in accordance with BSP-approved guidelines shall be used.

- *Segregation of Customer Funds and Securities Received by Banks.* On 14 August 2015, the BSP issued BSP Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.
- *Creation of Personal Management Trust.* On 18 August 2016, the BSP issued BSP Circular No. 920 allowing for the creation of the personal management trust (**PMT**), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third-party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual's financial affairs. Upon the effectivity of the circular, all living trust accounts (**LTAs**) were discontinued and all those that remained valid were automatically considered as PMT.
- *Clearing of Checks via Electronic Presentment.* On 7 September 2016, the BSP issued BSP Circular No. 924, amending the Manual in view of the clearing of checks via electronic presentment, which shall be implemented by the Philippine Clearing House Corporation (**PCHC**). On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information shall be required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.
- *Effective Reporting System Generation and Timely Submission of Reports.* On 26 June 2017, the BSP amended the Manual through BSP Circular No. 963, Series of 2017, which issuance instituted governance processes in accordance with the BSP's expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must comply with the standards prescribed by the BSP, and the banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provided that banks had until 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision. Its full implementation started on 1 January 2018.
- *Additional Requirements for the Issuance of Bonds and Commercial Papers.* On 9 August 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 provides that a bank may issue bonds and/or commercial papers without prior BSP approval, provided that the following conditions are met:
 - (3) The bank must have a CAMELS composite rating of at least "3" and a "Management" rating of not lower than "3";
 - (4) The bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;
 - (5) The bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP; and
 - (6) The bonds issued are enrolled and/or traded in a market which is organised in accordance with the Philippine SEC's rules and regulations.

Further, the issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's listed/traded bonds or commercial papers. Likewise, the registry bank, including the underwriter/arranger of the issuance, shall be a third party with no subsidiary/affiliate relationship with the issuing bank and which is not related to the issuing bank in any manner that would undermine its independence.

- *Guidelines on the Adoption of PFRS 9.* On 14 August 2018, the BSP issued Circular No. 1011 which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option is allowed, or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:
 - (7) in preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated with the financial statements of the parent bank on a line by-line basis, while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures shall be accounted for using the equity method in accordance with the provisions of PAS 28;
 - (8) in preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, shall be accounted for using the equity method as described in PAS 28; and
 - (9) banks shall recognise adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP Manual.
- *Marking to market of financial instruments.* BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 shall be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the Securities and Exchange Commission.
- *Adoption of National Retail Payment System (NRPS) Framework.* On 6 November 2017, in line with BSP's adoption of the NRPS framework consistent with its regulations on risk management, the BSP issued Circular No. 980, which requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management and effective and efficient interoperability. The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. Under this framework, sound governance shall be performed by a payment system management body (**PSMB**), which is duly recognised and overseen by BSP. In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by BSP.
- *Guidelines on Liquidity Risk Management.* On 3 November 2017, the BSP issued Circular No. 981, amending the guidelines on liquidity risk management and the related amendments to the Manual. Among the highlights of the said changes were the additional guidelines relative to Foreign Currency Management, Intraday Liquidity Management, Intragroup Liquidity Management, Collateral Management, Liquidity Stress Testing, Contingency Funding Plans, Factors to Consider in Developing a Funding Strategy, and Factors to Consider in Developing Cash Flow Projections. Banks shall have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that they complete a gap analysis of the requirements of the said BSP Circular vis-a-vis their existing risk management systems by 31 March 2018.
- *Enhanced Guidelines in Information Security Management.* On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management of BSFIs in view of the rapidly evolving technology and cyber-threat landscape in which they operate. The amendments highlight the role of the BSFIs' board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e. identify, prevent, detect, respond, recover and test phases). The new guidelines also recognise that BSFIs are at varying levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: "Complex," "Moderate" and "Simple" to provide greater flexibility in complying with the requirements.

- *Guidelines on the Conduct of Stress Testing Exercises.* On 4 January 2018, BSP issued Circular No. 989, which defined minimum prudential requirements on stress testing and supplement the relevant provisions on stress testing provided under the risk management guidelines that were earlier issued by BSP. It provides that a board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of DSIBs, in developing recovery plans. These expectations are consistent with the earlier issued guidelines on corporate governance under Circular No. 969.
- *Basic Deposit Accounts.* BSP Circular No. 992, issued on 1 February 2018, requires banks to establish a basic deposit account which refers to interest or non-interest-bearing account designed to promote financial inclusion. The basic deposit account shall have an opening amount of not more than ₱100.00 and no minimum maintaining balance but with a maximum balance of not more than ₱50,000.00. If the depositor exceeds the ₱50,000.00 maximum balance, the bank shall convert the basic deposit account to a regular deposit account. The basic deposit account shall have no dormancy charges and has no reserve requirement. On 1 March 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that, as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least one percent (1%) of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than ₱500,000.00; further, as security for the faithful performance of its investment management activities, the basic security deposit shall be at least one percent of the book value of the total investment management assets, and at no time less than ₱500,000.00. The Circular also prescribes the methodology in determining compliance with the basic security deposit for the faithful performance of trust and other fiduciary business and investment management activities, and amends the compliance period to require banks, that are authorised to engage in trust and other fiduciary business and investment management activities, to comply with the basic security deposit requirement on a quarterly basis, as well as, at the time of withdrawal, replacement or redemption of the government securities deposited with the BSP within the quarter period. On 15 February 2019, the BSP issued Circular No. 1032 amending the guidelines on the basic security deposit requirement. The circular provided that the trustee or fiduciary/investment manager shall ensure compliance with the required basic security deposit. Any deficiency must be corrected through the immediate posting of additional securities. Trustees or fiduciary/investment managers shall submit quarterly reports on compliance with the basic security deposit requirement and report on the basic security deposit transactions.
- *Electronic Banking Services and Other Electronic Operations.* On 22 February 2019, the BSP issued BSP Circular No. 1033, which classifies electronic payments and financial services (**EPFS**) into basic and advanced and establishes guidelines for the licensing of EPFS. Further, BSFIs that are licensed to offer funds transfer services shall make these interoperable by participating in automated clearing houses.
- *Reserves against trust and other fiduciary accounts (TOFA).* BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorised to engage in trust and other fiduciary business shall maintain reserves on TOFA-others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganisation; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) Personal Equity And Retirement Account (**PERA**); (13) legislated and quasi-judicial trust; and (14) specialised institutional accounts under trust.
- *Currency Rate Risk Protection program (CRPP Facility) and the Implementing Guidelines.* On 24 September 2018, and 5 October 2018, the BSP issued Circular No. 1014 and 1015, respectively, revising the guidelines on the CRPP Facility. The CRPP Facility is a non-deliverable USD/PHP forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorised Derivatives Activities. Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the USD, the CRPP contract shall be denominated in USD equivalent using the exchange rate indicated in the BSP Reference Exchange Rate Bulletin on deal date. The BSP shall have supervisory enforcement

actions or right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines. Any violation of the guidelines, including wilful delay in the submission, non-submission and/or wilful making of a false or misleading statement in the notarised certification required to be submitted therein to the BSP Sections shall constitute grounds for the imposition on the bank of penalties.

- *Adoption of Policy Framework on the Grant of Regulatory Relief to Banks/Quasi Banks Affected by Calamities.* On 10 October 2018, the BSP issued Circular No. 1017, which provides the policy framework on the grant of regulatory relief measures to banks/quasi-banks affected by calamities. Under the framework, banks/quasi-banks may avail of the regulatory relief packages, including the provision of financial assistance to officers who are affected by the calamity even in the absence of BSP approved purposes, for a period of one (1) year from the date of declaration of state of calamity.
- *Technology and Cyber-Risk Reporting and Notification Requirements.* On 31 October 2018, the BSP issued Circular No. 1019, which amended provisions relating to the technology and cyber-risk reporting and notification requirements for BSFIs. The amendments were made to enable the BSP to have ready access to accurate, timely, and actionable information regarding BSFI's technology risk profiles as well as the evolving cyber-threat environment for a more responsive, proactive and effective banking supervision.
- *Amendments to the FX Manual.* On 5 February 2019, the BSP issued Circular No. 1030, which amended provisions of the Manual of Regulations on Foreign Exchange Transactions in furtherance of the BSP's aim of liberalizing the regulations applicable to (among others) inward investments. The issuance expanded the scope of the categories of inward foreign investments such that the presence of control and significant degree of influence between the investor and the investee firm is considered for certain types of investments to be categorised as direct investment or portfolio investment. It also established a grace period to register existing investments that are unregistered as at the effectivity date of the issuance. On 21 August 2021, the BSP issued Circular No. 1124 further amending the FX Manual. Banks are now allowed to sell foreign currency without prior approval from the BSP provided these are used for certain types of activities.
- *Revised Framework on the Selection of External Auditors.* On 20 May 2019, the BSP issued Circular No. 1040, which revised the framework on selection of external auditors for BSP Supervised Financial Institutions in accordance with the cooperative arrangement among the BSP, the Philippine SEC, Insurance Commission and the PDIC.
- *Rules and Regulations on the Registration of Operators of Payment Systems.* On 9 September 2019, Circular No. 1049 was issued approving the rules and regulation on the registration of operators of payment systems to implement Republic Act No. 11127 or the National Payment Systems Act. These rules and regulations form part of the newly created Manual of Regulations for Payment Systems.
- *Guidelines on Voluntary Surrender of a Banking License.* On 18 September 2019, Circular No. 1050 issued the guidelines on voluntary surrender of banking license in case of voluntary dissolution and liquidation, or to convert into a non-bank entity.
- *Amendments to the Prudential Requirements and Guidelines on the Public Offering and Listing of Bank Shares for Universal Banks.* On 15 November 2019, Circular No. 1060 was issued amending the prudential requirements on the public offering and listing of bank shares for universal banks. The amendments are aimed at supplementing the enhanced corporate governance frameworks of the BSP by encouraging dispersed shareholdings on banks.
- *Amendment of the Requirements on the Issuance of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs), Bonds and Commercial Papers.* On 26 November 2019, Circular 1062 was issued amending the provisions of the Manual to relax certain requirements on the issuance of LTNCTDs, Bonds and Commercial Papers. Of note is the amendment expanding the entities that are now prohibited from holding the LTNCTDs, Bonds and Commercial Papers. Under the amendments, universal banks

or commercial bank that is a related party of the issuing bank, may serve as the underwriter or arranger of the issuance, subject to the following conditions:

- (a) That there are other third party underwriters or arrangers that are not related in any manner to the issuing bank;
- (b) That the objective conduct of the due diligence review is not undermined; and (c) That the appropriate safeguards and controls as provided under Section 136 of the BSP Manual on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.

Further, the underwriter or arranger that is a related party of the issuing bank may be a holder of the bonds or commercial papers, provided that it is part of the underwriting agreement.

- *Moratorium on the Issuance of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs)* On 15 November 2019, BSP Circular No. 1059 amended the Manual imposing an indefinite moratorium on the issuance of LTNCTDs beginning 1 January 2021. LTNCTDs that have been approved but remain unissued as of 31 December 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCTDs will only be accepted by the appropriate supervising department of the BSP until 30 September 2020.
- *Report on Intraday Liquidity of Universal and Commercial Banks (UBs/KBs) and their Subsidiary Banks/Quasi-Banks (QBs)*. On 3 December 2019, Circular No. 1064 was issued amending the Manual to implement and adopt the report on intraday liquidity for universal banks and their subsidiary thrift banks/quasi-banks. The report is aimed at appropriately monitoring the intraday liquidity position of BSP supervised financial institutions, their sources of intraday liquidity, and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. The reporting requirements are also intended to facilitate the sound management of intraday liquidity risk as well as provide sufficient understanding and allocation of resources to effectively manage the same.
- *Amendments to Regulations on Financial Audit of Banks*. On 7 February 2020, Circular No. 1074 was issued amending regulations on the financial audit of BSP supervised financial institutions which aim to enhance the quality of information channelled to the supervisory process and ultimately promote fairness, transparency and accuracy in financial reporting. Amendments pertain to changes in prescribed formats of statements in the financial statements, changes in deadline of report submissions to the BSP, new and amended disclosure requirements to the financial statements, among others.
- *Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/ Officers*. On 18 February 2020, Circular No. 1076 was issued to strengthen the disqualification and watchlisting of directors and officers of banks and other financial institutions. The amendments aim to further promote the integrity of the financial system and better protect the interest of the public. The Circular also provides a list of those prohibited to become officers of a bank, including any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or controlled corporations, or in cases allowed under existing laws.
- *Correspondent Banking Relationships*. On 9 March 2020, the BSP issued Circular No. 1078, which provides the guidelines on correspondent banking relationships. Correspondent banking refers to the provision of banking services by one bank (the correspondent bank) to another bank (the respondent bank) whose relationship can be domestic or foreign. Under the said guidelines, banks shall perform the applicable customer due diligence on accounts and relationships opened. For existing relationships, the requirements shall be applied upon updating as part of the ongoing monitoring. In addition, by virtue of the arrangements in correspondent banking services wherein the respondent bank is the customer of the correspondent bank, the rules on outsourcing under the Manual of Regulations for Banks shall not apply to correspondent banking relationships.
- *Payment System Oversight Framework*. The Monetary Board, in its Resolution No. 803 dated 25 June 2020, has accredited the Philippine Payments Management, Inc. as payment system management body in accordance with Republic Act No. 11127 or the National Payment Systems Act (NPSA). On 7 July

2020, the BSP issued Circular No. 1089 which provides the payment system oversight framework. Pursuant to the authority granted under the NPSA, and Republic Act No. 7653 or the New Central Bank Act, as amended by Republic Act No. 11211, the BSP, through an appropriate oversight department, is responsible for overseeing the national payment system (NPS), including the payment system that the BSP owns and operates. Consistent with a risk-based approach that take into consideration both the payment system's risk profile and its impact in the NPS, the BSP shall perform the following oversight activities: (i) monitor existing and planned payment systems, (ii) assess the NPS and payment systems against safety, efficiency, and reliability objectives, and (iii) induce change to pursue development and innovation of payment systems.

- *Amendments to the Regulations on Investment Management Activities (IMA).* On 4 February 2020, the BSP issued Circular No. 1109 which reduced the minimum size of an account, and expanded the securities eligible as investment outlet for commingled funds under investment management. The investment of each of the IMAs in the commingled fund shall at least be ₱100,000.
- *Restructured Service Fees for Banks' Deposit and Withdrawal Transactions.* On 23 December 2020, the BSP issued Circular No. 1106 which provided the restructured service fees for banks' deposit and withdrawal transactions with the BSP, (b) reinstated of the service fees on new and fit banknote withdrawals, (c) provided provisions on rebates, refunds, and incentives for unfit banknote deposits, and (d) imposed a ₱5,000.00 penalty for cancelled withdrawal transactions.
- *Guidelines on the Establishment of Digital Bank.* On 2 December 2020, the BSP issued Circular No. 1105 which provided guidelines on the establishment of digital banks. It also amended MORB to include Digital Banks as one of the classifications of banks. Existing banks converting to digital banks shall be given a period of three (3) years from approval of the Monetary Board within which to meet the minimum capital requirement and implement the transition plan, including divestment or closure of branches or branch lite units. On 14 September 2022, the BSP issued Circular No. 1154, further amending the MORB to clarify that the three (3)-year capital build-up shall not apply to committed capital infusion of new investors in the converting bank arising from acquisition, purchase/sale, transfer of the converting bank's shares of stock or other similar arrangements, where such required minimum capital shall be infused before the issuance of the Certificate of Authority to Register with the SEC. Currently, a moratorium on the application for a new digital bank license, including conversion of an existing bank's license to a digital bank license, has been imposed beginning 31 August 2021 to date, pursuant to BSP Memorandum No. M-2021-046. The moratorium also covers applications for the establishment of other types of banks which will primarily offer financial products and services that are processed end-to-end through a digital platform and/or electronic channel.
- *Amendments to the Regulations on the UITF Marketing Personnel.* On 24 November 2020, the BSP issued Circular No. 1103, as amended by Circular No. 1152 dated 5 September 2022, on the one-year deferment of the certification requirement for UITF Marketing Personnel. The Certification requirement shall be fully implemented beginning year 2023.
- *Reclassification of Debt Securities Measured at Fair Value to the Amortized Cost Category.* On 02 February 2021, the BSP issued Memorandum No. M-2021-011 which amended the guidelines under Memorandum No. M-2020-022 dated 8 April 2020. It provided that a BSFI which avails of the alternative accounting treatment under these guidelines and intends to revert to Philippine Financial Reporting Standards (PFRS) 9 shall classify its outstanding debt securities as of the start of the financial reporting period when such a decision will be made, i.e., 01 January, in the case of a BSFI that adopts a calendar year-end reporting period, or as of the first day of its fiscal year, in the case of a BSFI that adopts a fiscal year-end reporting period, as if the classification requirements of PFRS 9 had always been applied to the outstanding debt securities. The cumulative effect of such a reclassification shall be reflected as an adjustment to each affected component of the BSFI's equity at the start of the relevant financial reporting period in its prudential reports. A BSFI may adopt the alternative accounting treatment under this Memorandum in its audited financial statements: Provided, that this is made in accordance with the provisions of Securities and Exchange Commission Memorandum Circular No. 32 dated 17 November 2020.

- *Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital.* On 5 January 2023, the BSP issued Circular No. 1164 which provided for minimum operational requirements for credit risk transfer agreements to be excluded from the total credit commitment of a bank to a borrower in reckoning compliance with the Single Borrower's Limit.
- *Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act".* On 28 November 2022, the BSP issued Circular No. 1160 amending the MORB to provide guidelines on Financial Consumer Protection Framework to implement the FPSCPA. The Framework applies to all financial products or services created, developed, offered or marketed by a BSP. The circular provides for measures to be undertaken by BSIs in order to meet the standards of disclosure and transparency, protection of client information, fair treatment, effective recourse, and protection of consumer assets against fraud and misuse.
- *Guidelines on Recovery Plan of Banks.* On 18 October 2022, the BSP issued Circular No. 1158, on the "Guidelines on Recovery Plan of Banks", wherein it requires Philippine banks to adopt a recovery plan which will provide, among others, for early warning indicators and trigger levels (which must be set above the minimum regulatory requirements but below or at more severe levels than the triggers applicable in activating the capital and liquidity contingency plans) for activation of the recovery plan, reporting requirements to the BSP, restoration points, recovery options, preparatory measures and implementation plan, testing and simulation exercises and updating of such recovery plan. The circular recognizes that with respect to foreign bank subsidiaries and branches, such foreign bank branches and subsidiaries may play a role in the recovery options in the group recovery plans or be impacted by their implementation and thus should consider the possible interactions and impacts of the group-wide recovery plans. The recovery plan shall be subject to annual BSP review.
- *Regulatory Sandbox Framework.* In 2022, BSP issued BSP Circular No. 1153 on the Regulatory Sandbox Framework which applies to all BSP-supervised financial institutions, third-party service providers of BSFIs, other BSP-registered institutions, and new players that intend to offer or use an emerging or new technology to deliver financial products/services pertaining to activities that could fall under the regulatory purview of the BSP. Applicants should meet certain eligibility standards to be able to participate in the regulatory sandbox. Each regulatory sandbox shall undergo a four-stage process: Application, Evaluation, Testing, and Exit Stage. Participants shall submit (i) interim and (ii) final reports to the BSP to facilitate monitoring of the progress of the regulatory sandbox and the attendant risks, and assessment of the success of the experimentation. In the test design phase, the BSP and the participant shall agree on the details of the reports to be submitted such as the content, frequency, and schedule of reporting, among others. Participant/s whose sandbox activities are assessed as successful and whose products or services are deemed fit for public consumption shall be issued an authority to operate. The participant shall formally submit to the BSP an application to operate and offer for public use and consumption the proposed product or service that was subjected to the sandbox activity, including any proposed new regulations or changes to existing regulations.
- *Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks.* On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.
- *Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables.* On 19 January 2023, the BSP approved Circular No. 1165, which imposed a 36% annual interest rate ceiling on all credit card transactions and a ₱200.00 maximum processing fee in the case of credit card cash advances, except credit card installment loans which shall be subject to a monthly add-on rate not exceeding 1%, subject to review by the BSP every six months.

- *Rules of Procedure for the Consumer Assistance Mechanism.* On 24 March 2023, the BSP issued Circular No. 1169 on the “Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the BSP”, pursuant to the FPSCPA. These Rules of Procedure shall govern the consumer assistance mechanism as well as mediation and adjudication of financial consumer complaints in the BSP. The Rules of Court shall not apply except in a suppletory or analogous manner, as may be determined by the Adjudicator.
- *Conduct of Customer Due Diligence.* On 30 March 2023, the BSP issued Circular No. 1170 which provides for amendments to existing rules on the conduct of customer due diligence by banks and non-banks. This includes “Know Your Customer” or e-KYC guidelines on the use of digital IDs and other minimum information or documents required for customer identification. BSP defines “e-KYC” as the use of electronic or digital methods in customer identification and verification process. In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship, nature of the product, or transaction/activity.
- *Amendments to the Regulations on Intraday Liquidity Facility.* On 10 November 2023, the BSP issued Circular No. 1181 which provides for amendments to the MORB on the Intraday Liquidity Facility of the BSP. This includes the change of name of the facility from “Intraday Liquidity Facility” to “Intraday Settlement Facility” (*ISF*) and the automation of the operations of the facility. The operation of the ISF shall be in accordance with Appendix 1 of the Manual of Regulations for Payment Systems.
- *Grant of Additional Single Borrower’s Limit for Financing Eligible Projects and Zero Percent Reserve Requirement Rate Against Sustainable Bonds.* On 13 December 2023, the BSP issued Circular No. 1185 granting an additional SBL of 15% of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, and a gradual reduction of the reserve requirement rate from 1% of the first year of effectivity of the circular, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks.
- *Amendments to the Guidelines on Disclosures to the Public.* On 21 December 2023, the BSP issued Circular No. 1186 which amended Section 175 of the MORB on public disclosures. This includes amendments to the preparation, submission, and publication of the quarterly balance sheet and consolidated balance sheets, as well as the submission of the annual report. The circular likewise imposes monetary penalties for erroneous, delayed, or unsubmitted reports, and failure to publish the quarterly balance sheet and consolidated balance sheets, as applicable.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in the Philippines or the United Kingdom and each country of which they are residents.

Philippine Taxation

The following is a general description of certain Philippine tax aspects of the Notes. It is based on the **Tax Code** (the National Internal Revenue Code of 1997, as amended by Republic Act No. 10963), the regulations promulgated thereunder and judicial and ruling authorities in force as at the date of this Offering Circular, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis.

On 26 March 2021, CREATE Law was signed into law lowering the corporate income tax and rationalizing fiscal incentives granted to investors.

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines while the term “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; otherwise, such non-resident alien is considered a “non-resident alien not engaged in trade or business within the Philippines”. A “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines and a “non-resident foreign corporation” is a foreign corporation that is not engaged in trade or business within the Philippines. The term “non-Philippine holders” refers to beneficial owners of the Notes who are (1) non-resident aliens not engaged in trade or business within the Philippines or (2) non-resident foreign corporations.

On 22 January 2024, EOPT took effect. The EOPT amended various provisions of the Tax Code relating to the filing and payment of taxes and other provisions intended to protect the taxpayer’s rights, modernize tax administration, and adopt best practices.

On 8 November 2024, CREATE MORE was passed, amending the CREATE Act. The CREATE MORE establishes a simplified VAT refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

Value -Added Tax

Gross receipts derived by dealers in securities from the sale of the Notes in the Philippines, equivalent to the gross selling price less the acquisition cost of the Notes sold, shall be subject to value-added tax of 12%. “Dealer in securities” means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Documentary Stamp Taxes

Under the Tax Code, a documentary stamp tax is imposed upon every original issue of debt instruments, such as bonds and notes, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided, that for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be proportionate to the ratio of the debt instrument's term in number of days to 365 days. The documentary stamp tax due on the Notes will be for the account of the Bank.

No documentary stamp tax is imposed on the subsequent sale, exchange, or trading of the Notes in a secondary market or through an exchange. Likewise, any assignment or reassignment of the Notes is not subject to documentary stamp tax as long as there is no change in the maturity date or the material terms and conditions of the Notes or it does not carry with it a renewal or issuance of new Notes in the name of the transferee.

Interest on the Notes

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. The tax treatment of interest generally depends on the type of instrument from which the interest arises and whether the class of taxpayer receiving the interest is a resident or a non-resident for Philippine tax purposes. Interest on debt instruments arising from borrowing from the public (which for this purpose means more than nineteen lenders), investment certificates, currency bank deposits, trust funds and similar instruments is generally subject to a 20% final withholding tax if received by Philippine citizens, resident aliens, non-resident aliens engaged in trade or business within the Philippines, domestic corporations and resident foreign corporations (all of which may generally be considered as "residents" in respect of taxation of Philippine-sourced income). However, interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (**BSP**) shall be exempt from the income tax, provided, should the holder of the certificate pre-terminate the deposit or investment before the 5th year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity, as follows: (a) 4 years to less than 5 years – 5%, (b) 3 years to less than 4 years – 12%, and (c) less than 3 years – 20%. Non-resident aliens not engaged in trade or business within the Philippines and non-resident foreign corporations are subject to 25% final withholding tax. Interest on debt instruments not covered by the foregoing instruments received by the same categories of residents will form part of their taxable income and will be subject to ordinary income tax rates (at graduated rates from 0% – 35% for individuals and 25% regular corporate income tax, 20% corporate income tax for corporations considered as MSMEs under the CREATE Law, or, beginning 1 July 2020 and until 30 June 2023, an minimum corporate income tax (**MCIT**) equivalent to 1%, provided that after 30 June 2023, the rate of the MCIT shall be 2% of the gross income as of the end of the taxable year, as the case may be, for domestic and resident foreign corporations), subject to the withholding by the issuer of an amount equivalent to 20% of such interest, which shall be creditable against the income tax liability of the resident for the relevant taxable year.

Under the Tax Code, any income of non-residents, whether individuals or corporations, and of depository banks under the expanded foreign currency deposit system, from foreign currency transactions with FCDUs, is exempt from income tax. However, this is subject to the exception that net income of depository banks under the FCDU system from foreign currency transactions may be specified by the Secretary of Finance, upon recommendations of the Monetary Board. Accordingly, if the Notes are issued or booked by the Bank's FCDU, the interest income and other income from amounts payable on the Notes received by such persons is not subject to withholding tax in the Philippines.

The tax withheld constitutes a final settlement of Philippine tax liability in respect of such interest income earned by the non-resident individual not engaged in trade or business within the Philippines or by the non-resident foreign corporation. The tax rates for non-residents are subject to the applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident noteholder.

The interest income received by individuals and corporations is subject to the tax arbitrage rule wherein the allowable deduction of interest expenses is reduced by 33% of the interest income subjected to final tax. The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates

shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Principal, interest income and other amounts payable on the Notes received by OBUs in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the BSP to transact business with FCDUs and other depository banks under the expanded foreign currency deposit system shall be subject to the regular corporate income tax of 25% on Philippine-sourced income or MCIT of 2% on the gross income. However, interest income from foreign currency loans granted by such depository banks under the expanded system to residents other than offshore banking units in the Philippines or other depository banks under the expanded system, shall be subject to the 10% final withholding tax.

A final tax at the rate of twenty percent (20%) is imposed upon the amount of interest on currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements received by domestic corporations, and royalties, derived from sources within the Philippines. However interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system are subject to 15% final income tax of such interest income.

Revenue Memorandum Order No. 14-2021 (**RMO**), issued on 31 March 2021 streamlines the procedure and documents for the availment of treaty benefits. The RMO covers all items of income derived by non-resident taxpayers from Philippine sources that are entitled to relief from double taxation under the relevant tax treaty.

The withholding agent or income payor may rely on the submitted BIR Form No. 0901 (Application Form for Treaty Purposes), Tax Residency Certificate (**TRC**) duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by a non-resident taxpayer from all sources within the Philippines. Therefore, it is imperative for non-resident taxpayers intending to avail of treaty benefits to always submit said documents to each withholding agent or income payor prior to the payment of income for the first time.

Failure to provide the said documents when requested may lead to withholding using the regular rates prescribed under the Tax Code, as amended, for non-resident foreign corporations or non-resident aliens not engaged in trade or business, as the case may be, and not the treaty rate.

When the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with International Tax Affairs Division (**ITAD**) a request for confirmation on the propriety of the Withholding Tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a Tax Treaty Relief Application (**TTRA**) with ITAD. In either case, each request for confirmation and TTRA shall be supported by the documentary requirements specified in the Order. The request for confirmation shall be filed by the withholding agent at any time after the close of the taxable year but shall in no case be later than the last day of the fourth (4th) month following the close of such taxable year when the income is paid or becomes payable, or when the expense/asset is accrued or recorded in the books, whichever comes first. If the BIR determines that the Withholding Tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the Withholding Tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess Withholding Tax. Generally, one TTRA or request for confirmation shall be filed for each transaction except for long-term contracts (e.g. contracts for services or loan agreements, license agreements, etc.) i.e., those which are effective for more than a year, where an annual updating shall be made until the termination of the contract. To ensure that the proper rate is applied until the end of the contract, the non-resident taxpayer must submit the COE issued by the BIR and the updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier to the Selling Agents.

If the income of the non-resident taxpayer has been subjected to regular rates, he/she/it may subsequently file a claim for refund of the difference between the amount of Withholding Tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining a certificate confirming his/her/its

entitlement to treaty benefits. For this purpose, a duly accomplished BIR Form No. 1913 shall be filed together with the letter-request. All claims for refund shall be filed within the two-year prescriptive period provided under Section 229 of the Tax Code, as amended. In any case, all Noteholders are required to submit to the Bank, through the Paying Agent, their respective BIR-issued Taxpayer Identification Numbers (TIN).

The Bank, as required by the Tax Code, will withhold and make payment of the applicable withholding tax described above. However, the Bank shall pay Additional Amounts as may be necessary and subject to certain exceptions, so that the net amounts received by Noteholders equal the amounts which would otherwise have been receivable by them had no such deduction or withholding been required. See “*Terms and Conditions of the Notes – Taxation.*”

Sale or other Disposition of the Notes

Under Section 32(B)(7)(g) of the Tax Code, gains realised from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with a maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) (**Long Term Bonds**) are exempt from income tax. The BIR, however, has not had occasion to confirm whether bonds issued by foreign entities, such as the Notes, may constitute Long Term Bonds for purposes of such exemption. In any case, any gain from the sale or exchange of the Notes is not subject to Philippine income tax if the sale or exchange of the Notes by a non-resident holder takes place outside the Philippines.

If the Notes are considered ordinary assets, gains from the sale or disposition of such Notes within the Philippines that are subject to Philippine income tax will be included in the computation of taxable income, which, after being reduced by the applicable deductions, is subject to ordinary income tax rates ((at graduated rates from 0% – 35% for individuals and 25% regular corporate income tax, 20% corporate income tax for corporations considered as MSMEs under the CREATE Law, or, beginning 1 July 2020 and until 30 June 2023, an MCIT equivalent to 1%, provided that after 30 June 2023, the rate of the MCIT shall be 2% of the gross income as of the end of the taxable year, as the case may be, for domestic and resident foreign corporations). On the other hand, gains realized by non-residents from the sale or transfer of the Notes are subject to final withholding tax at the rate of 25%, if the holder is a nonresident alien not engaged in trade or business within the Philippines. Gains derived by non-resident foreign corporations on the sale or other disposition of the Notes shall form part of their gross income which is subject to a 25% final withholding tax unless such foreign corporation is entitled to preferential tax treatment pursuant to a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

If the Notes are considered as capital assets of individual Noteholders, gains from the sale or disposition of such Notes shall be subject to the same income tax rates as if the Notes were held as ordinary assets, except that if the gain is realised by an individual who held the Notes for a period of more than twelve (12) months prior to the sale, only 50% of the gain will be recognised and included in the computation of taxable income, subject to the applicable deductions. On the other hand, if the Notes were held by an individual for a period of twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

Estate and Donor’s Taxes

As the Notes are issued by a corporation organised or constituted in the Philippines in accordance with Philippine laws, they are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and donor’s taxes.

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Notes shall be subject to an estate tax which is levied on the net estate of the deceased at a rate of 6%. A holder of the Notes shall be subject to donor’s tax at a rate of 6% based on the total net gifts in excess of ₱250,000 exempt gifts made during the calendar year on the transfer of the Notes, whether the donee is a stranger or not.

The estate or donor’s taxes payable in the Philippines may be credited with the amount of any estate or donor’s taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor’s tax, in respect of the Notes, shall not be collected in respect of intangible property, such as the Notes, (1) if the deceased, at the time of death, or the donor, at the

time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (2) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Notes are transferred for less than adequate and full consideration in money or money's worth, the amount by which the fair market value of the Notes exceeded the value of the consideration may be deemed a gift and donor's taxes may be imposed on the transferor of the Notes. Transfer of the Notes made in the ordinary course of business (a transaction which is *bona fide*, at arm's length, and free from any donative intent) is considered as made for an adequate and full consideration in money or money's worth.

Tax Exempt Status

Noteholders who are exempt from, or are not subject to final withholding tax, or are subject to a lower rate of final withholding tax on interest income paid by the Bank may avail of such exemption or preferential withholding tax rate by submitting the necessary documents. The BIR has prescribed certain procedures for availment of such exemption or preferential withholding tax rate. Assuming the payments to be made by the Bank are subject to withholding tax, subject to the filing of the Bank's application and its approval by the BIR, the Bank will not withhold or will withhold at a reduced rate provided that such holder furnishes the Bank with the following documents, in form and substance prescribed by the Bank: (a) For (1) cooperatives duly registered with the Cooperative Development Authority; and (2) BIR-approved pension fund and retirement plan – a valid, current and subsisting BIR-certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR, confirming either its exemption from income tax or its entitlement to a preferential tax rate. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of effectivity specified therein; (b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – a certified true copy of the Noteholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator; (c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or-controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – a valid, current and subsisting BIR-certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR, expressly stating that its income is exempt from income tax and, consequently, withholding tax, or its entitlement to a preferential tax rate; (d) With respect to tax treaty relief, approval of the Tax Treaty Relief Application duly issued by the International Tax Affairs Division of the BIR confirming the entitlement to the tax treaty relief; and (e) Any other document that the Bank may reasonably require from time to time; (ii) a duly notarised declaration and undertaking in the prescribed form, executed by (ii.a) the Corporate Secretary or any authorised representative, who has personal knowledge of the exemption based on his official functions, if the Noteholder purchases Notes for its account, or (ii.b) the Trust Officer, if the Noteholder is a universal bank authorised under Philippine law to perform trust and fiduciary functions and purchase the Notes pursuant to its management of tax-exempt entities (i.e., Employee Retirement Fund, etc.), declaring and warranting that the same Noteholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Bank of any suspension or revocation of the tax exemption certificates or preferential tax rate entitlement, and agreeing to indemnify and hold the Bank free and harmless against any claims, actions, suits, and liabilities, or any tax or charge resulting from the non-withholding of the required tax; and (iii) if applicable, such other documentary requirements as may be reasonably required by the Bank, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Bank to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Noteholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Bank.

If the regular rate mentioned above is withheld by the Bank, instead of the reduced rate, the Noteholder may file a claim for a refund from the BIR. However, because the refund process in the Philippines could be cumbersome, requiring the filing of an administrative claim and the possible filing of a judicial appeal, it may be impractical to pursue such a refund.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

- Maturity period is five years or less 5%
- Maturity period is more than five years 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

- Maturity period is five years or less 5%
- Maturity period is more than five years 1%

If the net trading gains realised within the taxable year on the sale or disposition of the Notes by banks and nonbank financial intermediaries performing quasi-banking functions are considered as gross receipts derived from sources within the Philippines, such gains shall be subject to gross receipts tax at the rate of 7%.

Taxation outside the Philippines

The tax treatment of a non-resident holder of any of the Notes by jurisdiction outside the Philippines will vary depending on the tax laws applicable to such holder by reason of domicile or business activities and may vary depending upon such holder's situation. Each holder of any of the Notes should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Notes, including the applicability and effect of any state, local and national laws.

SUBSCRIPTION AND SALE

The Dealers have, in an Amended and Restated Programme Agreement (such Amended and Restated Programme Agreement as modified, supplemented, or restated from time to time, the **Programme Agreement**) dated 11 April 2025, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. The Issuer will pay each relevant Dealer a commission as may be agreed between them in respect of Notes subscribed by it. The Issuer has agreed, unless otherwise agreed in respect of an issue of Notes, to pay all expenses incidental to the performance of their respective obligations under the Programme Agreement. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the applicable Pricing Supplement. The Notes may also be sold by the Issuer through the Dealers, acting as the Issuer’s agents. The Dealers may also offer and sell Notes through certain of their affiliates. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price set forth in the applicable Pricing Supplement (less commissions, if any, in connection with such issue of Notes), the Notes may be reoffered and resold by the relevant Dealer(s) at a price different from their Issue Price, including (without limitation) at prevailing market prices, or at prices related thereto, at the time of such reoffer and resale, in each case as may be determined by the relevant Dealer(s).

In order to facilitate the offering of any Tranche of the Notes, the Dealer or Dealers (if any) named as Stabilising Managers for persons acting on behalf of any Stabilising Manager(s) in the applicable Pricing Supplement and participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. There is no assurance that the Stabilising Manager(s) or persons acting on behalf of a Stabilising Manager will undertake stabilisation action. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under the laws and regulations of the United Kingdom any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings with, and may perform service for, in the ordinary course of business, the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time, for which it has or will receive fees and expenses. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and

instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including any Tranche of Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Each Tranche of Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

In connection with each Tranche of Notes issued under the Programme, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

1. United States

- 1.1 In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act.

Terms used in this paragraph 1.1 have the meanings given to them by Regulation S.

- 1.2 In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Subject to paragraph 1.5 below, each Dealer has represented and agreed that it has offered, sold and delivered any Notes, and will offer, sell and deliver any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Arranger) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify such Dealer / Lead Arranger of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Arranger, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S”.

Terms used in this paragraph 1.2 have the meanings given to them by Regulation S.

- 1.3 Prior to the issuance of any Bearer Notes under the Programme, the Issuer will confirm with its counsel that all Programme documents have been reviewed, revised and updated to the extent necessary to ensure that such documents properly allow for the issuance of Bearer Notes in accordance with U.S. federal income tax law.
- 1.4 Each Dealer has further represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and, in respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, it and they have complied and will comply with the offering restrictions requirement of Regulation S.
- 1.5 The applicable Pricing Supplement will specify whether U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (**TEFRA D**), as in effect prior to the repeal of Section 163(f)(2)(B) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), or any successor rules that are substantially in the same form, in each case, are applicable (or relevant under IRS Notice 2012-20) for purposes of Section 4701 of the Code. In respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:
- (i) except to the extent permitted under TEFRA D, each Dealer (i) has represented and agreed that it has not offered or sold, and has agreed that during a 40-day restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) has represented that it has not delivered and agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
 - (ii) each Dealer has represented and agreed that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;
 - (iii) if it is a United States person, each Dealer has represented and agreed that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with TEFRA D (including the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6));
 - (iv) it will provide the Issuer with the documentation specified (at the time specified) in U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(3); and
 - (v) with respect to each affiliate of such Dealer that acquires Notes in bearer form from such Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer has repeated and confirmed the representations and agreements contained in subparagraphs (i), (ii), (iii) and (iv) on such affiliate's behalf.

Terms used in this paragraph 1.5 have the meanings given to them by the Code and Treasury regulations promulgated thereunder, including TEFRA D.

- 1.6 The applicable Pricing Supplement will specify whether U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C) (**TEFRA C**), as in effect prior to the repeal of Section 163(f)(2)(B) of the Code, or any successor rules that are substantially in the same form, in each case, are applicable (or relevant under IRS Notice 2012-20) for purposes of Section 4701 of the Code. In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions

and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Further, the Issuer will comply with the documentary requirements described in U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C)(4).

Terms used in this paragraph 1.6 have the meanings given to them by the Code and Treasury regulations promulgated thereunder.

- 1.7 Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

2. **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

3. **Prohibition of Sales to EEA Retail Investor**

Unless the Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any EEA Retail Investor in the European Economic Area (**EEA**). For the purposes of this provision:

- (a) the expression “**EEA Retail Investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) No 2017/1129 (as amended, the **EU Prospectus Regulation**); and

- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

4. **Prohibition of Sales to the UK Retail Investors**

Unless the Pricing Supplement specifies “Prohibition of Sales to the UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any UK Retail Investor in the United Kingdom (**UK**). For the purposes of this provision:

- (a) the expression “**UK Retail Investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of assimilated law in the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, including by the Retained EU Law (Revocation and Reform) Act 2023, the **EUWA**);
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of assimilated law in the UK by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the EU Prospectus Regulation as it forms part of assimilated law in the UK by virtue of the EUWA; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

5. **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

6. **Hong Kong**

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each of Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People’s Republic of China (**Hong Kong**), by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS): This notice to CMIs (including private banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Dealers participating in the relevant offering (**Relevant Dealers**) accordingly.

CMIs are informed that, unless otherwise specified in the applicable Pricing Supplement, the marketing and investor targeting strategy for each relevant offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular and the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes. CMIs are informed that a private bank rebate may be payable as stated in this Offering Circular and the applicable Pricing Supplement.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Relevant Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the Code. private banks should be aware that placing an order on a “principal” basis may require the Relevant Dealers to apply the “proprietary orders” of the Code to such order and will require the Relevant Dealers to apply the “rebates” requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide certain underlying investor information, in respect of each order constituting the relevant omnibus

order (failure to provide such information may result in that order being rejected). CMIs (including private banks) should contact the Relevant Dealers to obtain details on what underlying investor information is required. Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for the relevant offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant offering. The Relevant Dealers may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the Relevant Dealers with such evidence within the timeline requested.

7. Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

8. Philippines

THE NOTES BEING OFFERED OR SOLD HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES AND ITS IMPLEMENTING RULES AND REGULATIONS (THE SRC). ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT

TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE IS MADE UNDER CIRCUMSTANCES IN WHICH THE NOTES QUALIFY AS EXEMPT SECURITIES OR QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE SRC.

Any offer or sale of the Notes within the Philippines is subject to registration unless such offer or sale is made under circumstances in which the Notes qualify as exempt securities or pursuant to an exempt transaction under the SRC.

The Notes, being securities issued by a bank registered as such under the laws of the Republic of the Philippines, constitute exempt securities within the meaning of Subsection 9.1(e) of the SRC and as such are not required to be registered under the provisions thereof before they can be sold or offered for sale or distribution in the Philippines. Any issuance, sale, or offer of the Notes, however, can only be made in accordance with the applicable regulations of the Bangko Sentral ng Pilipinas, the Philippine Securities and Exchange Commission, and the Philippine Stock Exchange.

9. **PRC**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any of the Notes in the People's Republic of China (for such purposes, not including Hong Kong, Macau SAR or Taiwan) or to residents of the People's Republic of China unless such offer or sale is made in compliance with all applicable laws and regulations of the People's Republic of China.

10. **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and any applicable Pricing Supplement and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any of the other Dealers shall have any responsibility therefore. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of such Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or affiliate on behalf of the Issuer in such jurisdiction.

None of the Issuer, the Trustee, and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

1. The Programme (including the increase of the aggregate size of the Programme to U.S.\$5,000,000,000) and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer issued on 27 February 2020.

Listing

2. Application has been made to the SGX-ST for permission to deal in, and quotation of, any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST with a minimum board lot size of at least S\$200,000 or its equivalent in foreign currencies.

Admission to the Official List and any quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, for so long as such Notes are listed on the SGX-ST, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Delisting of Notes

3. The Trust Deed provides that if the applicable Pricing Supplement indicates that the Notes are listed on a stock exchange (the **relevant Stock Exchange**), the Bank will use its best endeavours to maintain the listing on the relevant Stock Exchange of those of the Notes which are listed on the relevant Stock Exchange or, if it is unable to do so having used its best endeavours or if the Trustee considers that the maintenance of such listings is unduly onerous whether as a result of the implementation of the EU Transparency Directive (Directive 2004/109/EC of the European Parliament and of the Council on the Harmonisation of Transparency Requirements in relation to information about issuers whose securities are admitted to trading on a regulated market) or otherwise, it may cease to maintain such listing provided that it shall use its best endeavours promptly to obtain and maintain a quotation or listing of such Notes on such other stock exchange or exchanges or securities market or markets on which it is then accepted in the sphere of international issues of debt securities to list securities such as the Notes as it may (with the approval of the Trustee (which approval of the Trustee may only be given if the Trustee has received confirmation from the relevant Dealer(s) in respect of such Notes that such other stock exchange or exchanges or securities market or markets is so accepted)) decide and shall also upon obtaining a quotation or listing of such Notes issued by it on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to this Trust Deed to effect such consequential amendments to these presents as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market.

Clearing systems

4. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

5. Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position or prospects of the Parent Bank or the Bank since 31 December 2024.

Litigation

6. The Parent Bank or the Bank is not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Bank is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Parent Bank or the Bank.

Accounts

7. The auditors of the Issuer for the years ended 31 December 2022, 2023 and 2024 were Punongbayan & Araullo (**P&A**), independent auditors.

Such auditors have issued, in accordance with Philippine Standards on Auditing, an unqualified audit report for the financial years ended 31 December 2022, 2023 and 2024.

Trustee's Reliance on Certificates

8. The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) or any other person in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein whether or not called for by or addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other person in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person. However, the Trustee will have no recourse to the Auditors or such other person in respect of such certificates or reports unless the Auditors or such other person have agreed to address such certificates or reports to the Trustee.

Documents Available

9. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the corporate office of the Issuer and from the specified office of the Paying Agent in London on prior written request and satisfactory proof of holdings:
- (a) the audited financial statements of the Bank in respect of the financial years ended 31 December 2022, 2023 and 2024;
 - (b) the most recently published audited unconsolidated and (if produced) consolidated financial statements of the Bank and the most recently published unaudited consolidated and (if produced) consolidated interim financial results of the Bank (the Bank currently prepares unaudited consolidated interim results on a quarterly basis under Philippine regulatory requirements);
 - (c) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
 - (d) a copy of this Offering Circular;
 - (e) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
 - (f) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

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Financial Statements and
Independent Auditors' Report

BDO Unibank, Inc. and Subsidiaries

December 31, 2024, 2023 and 2022

Report of Independent Auditors

The Board of Directors and Stockholders

BDO Unibank, Inc.

BDO Towers Valero

8741 Paseo de Roxas, Salcedo Village

Makati City, Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (collectively referred to as the BDO Unibank Group) and of BDO Unibank, Inc. (the Parent Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

The following are the key audit matters identified in our audit of the financial statements of the BDO Unibank Group and the Parent Bank:

(a) Valuation of Loans and Other Receivables

Description of the Matter

The BDO Unibank Group and the Parent Bank are required to recognize allowance for impairment on their loans and other receivables using the expected credit loss (ECL) model in accordance with PFRS 9, *Financial Instruments*. As of December 31, 2024, the BDO Unibank Group and the Parent Bank had loans and other receivables amounting to P3,272,518 million and P3,168,757 million, respectively, net of allowance for impairment of P92,091 million and P89,414 million, respectively. Loans and other receivables are the most significant resources of the BDO Unibank Group and the Parent Bank which account for 67% and 68% of the BDO Unibank Group and the Parent Bank's total resources, respectively.

The allowance for impairment of loans and other receivables is considered to be a matter of significance as it requires the application of critical management judgment and use of subjective estimates in determining how much impairment loss is required to be recognized in the financial statements. These judgment and estimates are disclosed in the BDO Unibank Group's and the Parent Bank's accounting policies in Notes 2 and 3 to the financial statements.

The BDO Unibank Group and the Parent Bank use an ECL model in determining the impairment of their loans and other receivables. The assessment of credit risk of a portfolio of assets entails estimations as to the likelihood of defaults occurring, the associated loss ratios and of default correlations of the related counterparties. Furthermore, the BDO Unibank Group and the Parent Bank incorporated forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition and the measurement of ECL. The BDO Unibank Group and the Parent Bank have identified and documented key drivers of credit risk and credit losses for each loan portfolio and, using an analysis of historical data, have estimated relationships between macro-economic variables, credit risk and credit losses.

The disclosures of the BDO Unibank Group and the Parent Bank on the allowance for impairment of loans and other receivables, and the related credit risk are included in Notes 4 and 11 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables, included among others, evaluating the BDO Unibank Group's and the Parent Bank's accounting policies and methodologies as to whether they: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the BDO Unibank Group's and Parent Bank's lending activities and asset portfolio given different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of policies that capture in sufficient detail the judgment, including estimation applied in the development of the Group's ECL model.

With respect to the use of judgment and estimation of inputs and assumptions used in the ECL model, our procedures included:

- testing the design and operating effectiveness of relevant controls over credit review process as it relates to the determination of credit risk rating used in impairment provisioning;
- assessing the BDO Unibank Group's and Parent Bank's segmentation of credit risk exposures based on homogeneity of credit risk characteristics and evaluating the appropriateness of impairment approach applied on each loan portfolio;
- engaging our Firm's specialist in evaluating the appropriateness of methodologies and assumptions used in the ECL calculation including testing the discriminatory power of the Internal Credit Risk Rating System for each loan portfolio across all quarters during the year;
- evaluating the reasonableness of the credit risk ratings assigned to loan accounts to assess appropriateness of credit risk monitoring;
- testing the BDO Unibank Group's and Parent Bank's loan classification and staging scheme based on the determined days past due and other qualitative factors, including proper tagging of non-performing loans;
- evaluating management's quantitative and qualitative criteria in determining events that constitute default and significant increase in credit risk against the requirements set forth in PFRS 9;
- for probability of default, checking whether indications of default on selected accounts per loan type were properly captured within the observation period and were considered in the calculation of historical default rates;
- for loss given default, validating the accuracy of historical recoveries and associated costs for each loan portfolio by inspecting relevant records of collections and disposals of related collaterals from selected defaulted accounts;
- reconciling exposure at default against relevant loan databases;
- on selected individually assessed loan accounts, evaluating the accuracy of management's forecast of recoverable cash flows based on agreed restructuring agreement and valuation of collaterals and estimates of recovery from other sources of collection;
- for forward-looking information used, evaluating whether the forecasted macro-economic factors, which include gross domestic product growth, unemployment rates and core inflation rates were appropriate and traceable to trusted publicly available information. In addition, assessing the level of significance of correlation of selected macro-economic factors to the default rates as well as the impact of these variables to the ECL; and,
- evaluating the completeness and appropriateness of the disclosures to the financial statements against the requirements of relevant reporting standards.

(b) Valuation of Derivatives*Description of the Matter*

In general, the fair valuation of the investments of the BDO Unibank Group and the Parent Bank is computed with reference to external sources and readily available market value. The fair valuation of investments of the BDO Unibank Group and the Parent Bank is considered a key area of focus in our audit due to the use of inputs from external sources in computing the market value of some investments with no readily available market value. To the extent practicable, certain financial instruments are measured using models with observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

As of December 31, 2024, the derivative financial assets and derivatives with negative fair values of the BDO Unibank Group that are carried at fair value amounted to P8,291 million and P6,361 million, respectively, while that of the Parent Bank amounted to P4,633 million and P3,090 million, respectively.

The details of such investments are disclosed in Note 10, while the disclosures of the BDO Unibank Group and the Parent Bank on exposure to investments valuation risk are included in Note 4 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the following:

- evaluating whether fair value prices used were appropriate by testing the inputs against reliable market sources;
- recomputing the fair values based on the inputs and compared with the market values reported by the BDO Unibank Group and the Parent Bank; and,
- reviewing the appropriateness of the method used in fair market valuation.

(c) Valuation of Goodwill and Other Intangible Assets with Indefinite Useful Lives*Description of the Matter*

The BDO Unibank Group has goodwill of P4,535 million, with allowance for impairment of P1,514 million, as of December 31, 2024, and the significant portion of which relates to the acquisition of BDO Network Bank, Inc. (BDO Network). Furthermore, the BDO Unibank Group and the Parent Bank have other intangible assets with indefinite useful lives amounting to P3,522 million as of December 31, 2024.

This annual impairment testing of goodwill and other intangible assets with indefinite useful lives is considered to be a key audit matter because the management's process in assessing the recoverability of the intangible assets is complex. In addition, the assumptions used in determining the cash generating units (CGUs) where the goodwill and other intangible assets with indefinite useful lives are allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimates for forecasted statement of financial position and net profit of CGUs, terminal value growth rates and discount rate.

The BDO Unibank Group's disclosures about goodwill and other intangible assets are included in Notes 2, 3 and 17 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to impairment of goodwill and other intangible assets with indefinite useful lives included, among others, evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the forecasted statement of financial position and statement of income or financial performance as well as the discount and growth rates used. We have involved our Firm valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs. In addition, we recalculated the value-in-use of the CGUs and compared it with the carrying amount. We also reviewed the BDO Unibank Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill and other intangible assets with indefinite useful lives. Furthermore, our audit of the financial statements of BDO Network as of and for the year ended December 31, 2024 did not identify events or conditions that may cast significant doubt on BDO Network's ability to continue as a going concern.

(d) Accounting for Legal Merger Between the Parent Bank and its Subsidiary*Description of the Matter*

The Parent Bank, together with The Podium Complex (TPCI and, formerly, SM Keppel Land, Inc.), a wholly owned subsidiary, executed a merger effective December 1, 2024, which was previously approved by a majority vote of the Parent Bank's Board of Directors (BOD) and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock on January 27, 2024 and April 19, 2024, respectively. The same was filed with the Banko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) and was subsequently approved on October 22, 2024, and November 18, 2024, respectively.

The merger of the Parent Bank and TPCI was of importance to our audit due to the significance of the amounts involved and complexity of the transaction and its accounting treatment. Such merger is classified as business combination under common control and is out of scope of PFRS 3, *Business Combination*, and, accordingly, significant judgment is involved in determining the appropriate accounting policies to be applied.

The Parent Bank has accounted for the merger using the pooling of interest method, wherein the assets and liabilities of TPCI are included in the Parent Bank's separate financial statements at their book values as reported in its consolidated financial statements and no goodwill is recognized as a result of the combination. At the date of merger, the Parent Bank recognized additional assets and liabilities amounting to P16,580 million and P9,746 million, respectively, and issued common shares with a fair value of P7,076 million, consequently recognizing merger reserves amounting to P6,256 million.

The Parent Bank's accounting policy and disclosures of the merger and pooling of interest method are included in Notes 2 and 30 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the following:

- reviewing the minutes of meeting of the BOD for the approval of the merger and the approval of the BSP and SEC;
- reviewing the Articles and Plan of Merger to understand the key terms and conditions, and confirming our understanding with the management;
- evaluating the appropriateness of the application of the pooling of interest method used by the management, including identification and measurement of individual assets and liabilities of TPCI in accordance with the terms of Articles and Plan of Merger and relevant PFRS Accounting Standards and interpretations; and,
- assessing the adequacy of disclosures made in the financial statements of the Parent Bank.

Other Information

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the BDO Unibank Group's and the Parent 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 BDO Unibank Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BDO Unibank Group's and the Parent 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 BDO Unibank Group's and the Parent 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 BDO Unibank Group's and the Parent 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 BDO Unibank Group and the Parent Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BDO Unibank Group and the Parent Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

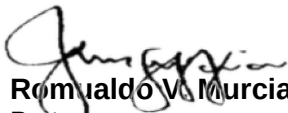
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 31 to the financial statements, the Parent Bank presented the supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to the financial statements. The supplementary information for the years ended December 31, 2024 and 2023 required by the BSP as disclosed in Note 35 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by 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 neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC.

The engagement partner on the audits resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: 
Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 10465910, January 2, 2025, Makati City
BIR AN 08-002511-022-2022 (until October 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-001 (until August 12, 2027)

February 22, 2025

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(With Corresponding Figures as of January 1, 2023)
(Amounts in Millions of Philippine Pesos)

		BDO Unibank Group			Parent Bank	
	Notes	December 31, 2024	December 31, 2023	January 1, 2023	2024	2023
<u>RESOURCES</u>						
CASH AND OTHER CASH ITEMS	8	P 109,744	P 94,278	P 82,944	P 105,767	P 91,635
DUE FROM BANGKO SENTRAL NG PILIPINAS	8	249,593	335,076	385,779	246,815	332,428
DUE FROM OTHER BANKS - Net	9	90,448	85,974	60,455	77,511	76,791
TRADING AND INVESTMENT SECURITIES - Net	10	876,108	824,807	641,734	839,988	787,691
LOANS AND OTHER RECEIVABLES - Net	11	3,272,518	2,881,945	2,692,523	3,168,757	2,809,547
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	12, 13	54,204	48,085	46,471	49,299	43,878
INVESTMENT PROPERTIES - Net	14	33,825	42,429	17,183	29,796	13,408
EQUITY INVESTMENTS - Net	15	4,711	3,879	5,501	66,150	70,832
INVESTMENT SECURITIES AND OTHER ASSETS FOR LIFE INSURANCE CONTRACTS - Net	16	121,911	115,601	89,493	-	-
OTHER RESOURCES - Net	17	62,988	45,587	52,625	57,115	36,437
TOTAL RESOURCES		P 4,876,050	P 4,477,661	P 4,074,708	P 4,641,198	P 4,262,647
<u>LIABILITIES AND EQUITY</u>						
DEPOSIT LIABILITIES	19	P 3,794,027	P 3,567,550	P 3,220,883	P 3,686,052	P 3,476,867
BILLS PAYABLE	20	261,470	189,582	198,891	240,288	167,988
INSURANCE CONTRACT AND OTHER LIABILITIES FOR LIFE INSURANCE CONTRACTS	16	91,471	82,521	69,385	-	-
OTHER LIABILITIES	21	151,687	119,454	124,092	139,543	107,595
Total Liabilities		4,298,655	3,959,107	3,613,251	4,065,883	3,752,450
EQUITY	22					
Attributable to:						
Shareholders of the Parent Bank		574,671	515,916	459,332	575,315	510,197
Non-controlling Interests		2,724	2,638	2,125	-	-
		577,395	518,554	461,457	575,315	510,197
TOTAL LIABILITIES AND EQUITY		P 4,876,050	P 4,477,661	P 4,074,708	P 4,641,198	P 4,262,647

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos Except Per Share Data)

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
INTEREST INCOME	23	P 272,039	P 231,704	P 161,820	P 260,751	P 221,977	P 153,968
INTEREST EXPENSE	24	85,443	59,317	22,861	81,885	56,323	21,534
NET INTEREST INCOME		186,596	172,387	138,959	178,866	165,654	132,434
IMPAIRMENT LOSSES (RECOVERIES) - Net	18						
Financial assets	9, 10, 11, 17	14,262	16,406	16,565	13,147	15,665	15,815
Non-financial assets	12, 14, 17	(218)	(44)	(230)	(227)	(44)	(232)
Others	21	(14)	19	5	(14)	19	5
		14,030	16,381	16,340	12,906	15,640	15,588
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES (RECOVERIES)		172,566	156,006	122,619	165,960	150,014	116,846
OTHER OPERATING INCOME	25	70,893	65,315	52,224	66,430	57,314	50,129
INCOME ATTRIBUTABLE TO INSURANCE OPERATIONS - Net	16	6,845	6,372	4,976	-	-	-
OTHER OPERATING EXPENSES	25	146,613	130,512	106,626	132,099	119,318	96,649
PROFIT BEFORE TAX		103,691	97,181	73,193	100,291	88,010	70,326
TAX EXPENSE	31	21,471	23,621	15,959	18,175	20,811	13,333
NET PROFIT		P 82,220	P 73,560	P 57,234	P 82,116	P 67,199	P 56,993
Attributable to:							
Shareholders of the Parent Bank		P 82,019	P 73,411	P 57,054			
Non-controlling Interests		201	149	180			
		P 82,220	P 73,560	P 57,234			
Earnings Per Share:	32						
Basic		P 15.48	P 13.86	P 10.77			
Diluted		P 15.43	P 13.82	P 10.72			

See Notes to Financial Statements.
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BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
NET PROFIT		P 82,220	P 73,560	P 57,234	P 82,116	P 67,199	P 56,993
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that are or will be reclassified subsequently to profit or loss:							
Net unrealized gains (losses) on debt investments at fair value through other comprehensive income (FVOCI), net of tax	10	(1,086)	7,487	(17,959)	(1,092)	7,459	(17,883)
Transfer of realized losses (gains) on disposed debt investments at FVOCI to statements of income, net of tax		(26)	19	11	(26)	20	11
Impairment losses (recoveries) on debt investments at FVOCI	10	(25)	108	67	(25)	108	67
Net gains (losses) on FVOCI securities, net of tax		(1,137)	7,614	(17,881)	(1,143)	7,587	(17,805)
Translation adjustment related to foreign operations		(46)	16	(5)	(41)	25	(10)
		(1,183)	7,630	(17,886)	(1,184)	7,612	(17,815)
Items that will not be reclassified to profit or loss:							
Remeasurement on life insurance reserves		391	(4,072)	9,620	391	(4,072)	9,620
Actuarial losses on remeasurement of retirement benefit obligation, net of tax	26	(3,540)	(5,517)	(1,097)	(3,524)	(5,487)	(1,101)
Net unrealized gains (losses) on equity investments at FVOCI, net of tax	10	369	160	(498)	369	160	(498)
		(2,780)	(9,429)	8,025	(2,764)	(9,399)	8,021
Other Comprehensive Loss, net of tax		(3,963)	(1,799)	(9,861)	(3,948)	(1,787)	(9,794)
TOTAL COMPREHENSIVE INCOME		P 78,257	P 71,761	P 47,373	P 78,168	P 65,412	P 47,199
Attributable to:							
Shareholders of the Parent Bank		P 78,066	P 71,615	P 47,265			
Non-controlling Interests		191	146	108			
		P 78,257	P 71,761	P 47,373			

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos)

BDO Unibank Group																
Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares at Cost	Surplus Reserves	Other Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on FVOCI	Accumulated Actuarial Losses	Revaluation Increment	Remeasurement on Life Insurance Reserves	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Income (Loss) of Associates	Total Attributable to Shareholders of the Parent Bank	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2024	P 52,684	P 6,180	P 230,452	(P 1)	P 25,054	P 7	P 233,369	(P 12,210)	(P 23,048)	P 1,010	P 2,375	P 54	(P 10)	P 515,916	P 2,638	P 518,554
Transactions with owners																
Issuance of shares during the year	39	-	482	-	-	-	-	-	-	-	-	-	-	521	-	521
Options transferred during the year	-	-	-	(637)	-	-	-	-	-	-	-	-	(637)	-	(637)	-
Options expensed during the year	-	-	-	981	-	-	-	-	-	-	-	-	-	981	-	981
Issuance of shares due to merger	542	-	6,534	(7,076)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(20,172)	-	-	-	-	-	-	(20,172)	(373)	(20,545)
	581	-	7,016	(7,076)	344	-	(20,172)	-	-	-	-	-	-	(19,307)	(373)	(19,680)
Total comprehensive income (loss)	-	-	-	-	-	-	82,019	(774)	(3,523)	-	391	(46)	(1)	78,066	191	78,257
Transfer from Surplus Free																
Trust reserve	-	-	-	-	284	-	(284)	-	-	-	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,690	-	(2,690)	-	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	584	-	(584)	-	-	-	-	-	-	-	-	-
	-	-	-	-	3,558	-	(3,558)	-	-	-	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	(4)	4	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional capital contribution to a subsidiary	-	-	-	-	-	(4)	-	-	-	-	-	-	-	(4)	268	264
BALANCE AT DECEMBER 31, 2024	P 53,265	P 6,180	P 237,468	(P 7,077)	P 28,956	P 3	P 291,654	(P 12,980)	(P 26,571)	P 1,010	P 2,766	P 8	(P 11)	P 574,671	P 2,724	P 577,395
BALANCE AT JANUARY 1, 2023	P 52,641	P 6,180	P 229,946	(P 1)	P 22,131	(P 76)	P 178,537	(P 19,950)	(P 17,566)	P 1,010	P 6,447	P 38	(P 5)	P 459,332	P 2,125	P 461,457
Transactions with owners																
Issuance of shares during the year	43	-	506	-	-	-	-	-	-	-	-	-	-	549	-	549
Options transferred during the year	-	-	-	(359)	-	-	-	-	-	-	-	-	(359)	-	(359)	-
Options expensed during the year	-	-	-	903	-	-	-	-	-	-	-	-	-	903	-	903
Cash dividends	-	-	-	-	-	-	(16,207)	-	-	-	-	-	-	(16,207)	-	(16,207)
	43	-	506	-	544	-	(16,207)	-	-	-	-	-	-	(15,114)	-	(15,114)
Total comprehensive income (loss)	-	-	-	-	-	-	73,411	7,747	(5,482)	-	(4,072)	16	(5)	71,615	146	71,761
Transfer from Surplus Free																
Trust reserve	-	-	-	-	262	-	(262)	-	-	-	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,090	-	(2,090)	-	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	27	-	(27)	-	-	-	-	-	-	-	-	-
	-	-	-	-	2,379	-	(2,379)	-	-	-	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	7	(7)	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional capital contribution to a subsidiary	-	-	-	-	-	83	-	-	-	-	-	-	-	83	367	450
BALANCE AT DECEMBER 31, 2023	P 52,684	P 6,180	P 230,452	(P 1)	P 25,054	P 7	P 233,369	(P 12,210)	(P 23,048)	P 1,010	P 2,375	P 54	(P 10)	P 515,916	P 2,638	P 518,554
BALANCE AT JANUARY 1, 2022	P 43,855	P 5,150	P 124,447	p -	P 19,930	P 29	P 249,743	(P 1,630)	(P 16,454)	P 1,010	(P 3,173)	P 43	(P 16)	P 422,934	P 1,614	P 424,548
Transactions with owners																
Issuance of shares during the year	13	-	131	-	-	-	-	-	-	-	-	-	-	144	-	144
Options transferred during the year	-	-	-	(947)	-	-	-	-	-	-	-	-	(947)	-	(947)	-
Options expensed during the year	-	-	-	294	-	-	-	-	-	-	-	-	-	294	-	294
Stock dividends	8,773	1,030	105,368	(1)	-	-	(115,171)	-	-	-	-	-	(1)	-	(1)	-
Cash dividends	-	-	-	-	-	-	(10,252)	-	-	-	-	-	-	(10,252)	(2)	(10,254)
	8,786	1,030	105,499	(1)	(653)	-	(125,423)	-	-	-	-	-	-	(10,762)	(2)	(10,764)
Total comprehensive income (loss)	-	-	-	-	-	-	57,054	(18,303)	(1,112)	-	9,620	(5)	11	47,265	108	47,373
Transfer from Surplus Free																
Trust reserve	-	-	-	-	251	-	(251)	-	-	-	-	-	-	-	-	-
Reversal of appropriation	-	-	-	(14)	-	-	14	-	-	-	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,475	-	(2,475)	-	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	142	-	(142)	-	-	-	-	-	-	-	-	-
	-	-	-	-	2,854	-	(2,854)	-	-	-	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	17	(17)	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional capital contribution to a subsidiary	-	-	-	-	-	(105)	-	-	-	-	-	-	-	(105)	405	300
BALANCE AT DECEMBER 31, 2022	P 52,641	P 6,180	P 229,946	(P 1)	P 22,131	(P 76)	P 178,537	(P 19,950)	(P 17,566)	P 1,010	P 6,447	P 38	(P 5)	P 459,332	P 2,125	P 461,457

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos)

Parent Bank													
Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares at Cost	Surplus Reserves	Merger and Other Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on FVOCI	Accumulated Actuarial Losses	Revaluation Increment	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Income (Loss) of Subsidiaries and Associates	Total Equity
BALANCE AT JANUARY 1, 2024	P 52,684	P 6,180	P 230,433	(P 1)	P 23,816	p -	P 227,028	(P 8,471)	(P 22,047)	P 1,007	P 3	(P 435)	P 510,197
Transactions with owners	22												
Issuance of shares during the year	39	-	482	-	-	-	-	-	-	-	-	-	521
Options transferred during the year	-	-	-	-	(561)	-	-	-	-	-	-	(561)	-
Options expensed during the year	-	-	-	-	906	-	-	-	-	-	-	-	906
Issuance of shares due to merger	30	542	6,534	(7,076)	-	6,256	-	-	-	-	-	-	6,256
Cash dividends	-	-	-	-	-	-	(20,172)	-	-	-	-	-	(20,172)
	581	-	7,016	(7,076)	345	6,256	(20,172)	-	-	-	-	-	(13,050)
Total comprehensive income (loss)	-	-	-	-	-	-	82,116	(47)	(3,289)	-	(60)	(552)	78,168
Transfer from Surplus Free													
Trust reserve	22, 28	-	-	-	284	-	(284)	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,391	-	(2,391)	-	-	-	-	-	-
Other reserves	22	-	-	-	580	-	(580)	-	-	-	-	-	-
	-	-	-	-	3,255	-	(3,255)	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	(4)	-	-	-	-	4	-
BALANCE AT DECEMBER 31, 2024	P 53,265	P 6,180	P 237,449	(P 7,077)	P 27,416	P 6,256	P 285,713	(P 8,518)	(P 25,336)	P 1,007	(P 57)	(P 983)	P 575,315
BALANCE AT JANUARY 1, 2023	P 52,641	P 6,180	P 229,927	(P 1)	P 21,001	p -	P 178,300	(P 12,228)	(P 16,902)	P 1,007	(P 25)	(P 1)	P 459,899
Transactions with owners	22												
Issuance of shares during the year	43	-	506	-	-	-	-	-	-	-	-	-	549
Options transferred during the year	-	-	-	-	(314)	-	-	-	-	-	-	(314)	-
Options expensed during the year	-	-	-	-	858	-	-	-	-	-	-	-	858
Cash dividends	-	-	-	-	-	-	(16,207)	-	-	-	-	-	(16,207)
	43	-	506	-	544	-	(16,207)	-	-	-	-	-	(15,114)
Total comprehensive income (loss)	-	-	-	-	-	-	67,199	3,757	(5,145)	-	28	(427)	65,412
Transfer from Surplus Free													
Trust reserve	22, 28	-	-	-	262	-	(262)	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	1,986	-	(1,986)	-	-	-	-	-	-
Other reserves	22	-	-	-	23	-	(23)	-	-	-	-	-	-
	-	-	-	-	2,271	-	(2,271)	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	7	-	-	-	-	(7)	-
BALANCE AT DECEMBER 31, 2023	P 52,684	P 6,180	P 230,433	(P 1)	P 23,816	p -	P 227,028	(P 8,471)	(P 22,047)	P 1,007	P 3	(P 435)	P 510,197
BALANCE AT JANUARY 1, 2022	P 43,855	P 5,150	P 124,428	-	P 18,959	p -	P 249,407	(P 348)	(P 15,675)	P 1,007	P 36	(P 3,358)	P 423,461
Transactions with owners	22												
Issuance of shares during the year	13	-	131	-	-	-	-	-	-	-	-	-	144
Options transferred during the year	-	-	-	-	(941)	-	-	-	-	-	-	(941)	-
Options expensed during the year	-	-	-	-	289	-	-	-	-	-	-	-	289
Stock dividends	8,773	1,030	105,368	(1)	-	-	(115,171)	-	-	-	-	(1)	-
Cash dividends	-	-	-	-	-	-	(10,252)	-	-	-	-	-	(10,252)
	8,786	1,030	105,499	(1)	(652)	-	(125,423)	-	-	-	-	-	(10,761)
Total comprehensive income (loss)	-	-	-	-	-	-	56,993	(11,873)	(1,227)	-	(61)	3,367	47,199
Transfer from Surplus Free													
Trust reserve	22, 28	-	-	-	251	-	(251)	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,311	-	(2,311)	-	-	-	-	-	-
Other reserves	22	-	-	-	132	-	(132)	-	-	-	-	-	-
	-	-	-	-	2,694	-	(2,694)	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	17	(7)	-	-	-	(10)	-
BALANCE AT DECEMBER 31, 2022	P 52,641	P 6,180	P 229,927	(P 1)	P 21,001	p -	P 178,300	(P 12,228)	(P 16,902)	P 1,007	(P 25)	(P 1)	P 459,899

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos)

	Notes	2024	BDO Unibank Group	2023	2022	2024	Parent Bank	2023	2022				
CASH FLOWS FROM OPERATING ACTIVITIES													
Profit before tax		P	103,691	P	97,181	P	73,193	P	100,291	P	88,010	P	70,326
Adjustments for:													
Interest received			276,675		237,732		166,954		264,335		223,260		156,703
Interest income	23	(	272,039)	(	231,704)	(	161,820)	(	260,751)	(	221,977)	(	153,968)
Interest expense	24		85,443		59,317		22,861		81,885		56,323		21,534
Interest paid		(	82,753)	(	53,774)	(	19,959)	(	80,205)	(	51,490)	(	18,798)
Impairment losses	9, 10, 11, 12, 14, 17, 21		14,030		16,381		16,340		12,906		15,640		15,588
Depreciation and amortization	12, 13, 14, 17		12,171		12,656		9,768		10,417		11,444		8,711
Unrealized foreign exchange losses (gains)		(	9,861)		543	(	15,455)	(	9,419)		269	(	13,859)
Income attributable to insurance operations - net		(	4,318)	(	3,831)	(	2,336)		-		-		-
Share in net profit of subsidiaries and associates	15, 25	(	1,397)	(	1,273)	(	849)	(	9,303)	(	8,378)	(	8,710)
Fair value losses (gains)		(	1,283)	(	588)		679	(	1,200)	(	526)		198
Dividends received from investment in associates			924		726		553		5,441		1,394		3,898
Loss (gain) from the disposal of financial assets at fair value through other comprehensive income (FVOCI)		(	285)		31	(	8)	(	91)		3	(	13)
Gain from the disposal of investment securities at amortized cost		(	1)		-	(	18)	(	1)		-	(	18)
Gain on acquisition of a subsidiary	30		-		6,276)		-		804		-		-
Operating profit before changes in operating resources and liabilities			120,997		127,121		89,903		115,109		113,972		81,592
Decrease (increase) in financial assets at fair value through profit or loss		(	11,845)	(	794)		4,626	(	12,284)	(	2,045)	(	1,431)
Increase in loans and other receivables		(	393,789)	(	264,391)	(	236,688)	(	368,868)	(	257,689)	(	208,206)
Increase in investment properties		(	2,439)	(	1,655)	(	3,239)	(	11,758)	(	1,613)	(	2,599)
Increase in investment securities and other assets for life insurance contracts			1,076	(	1,409)	(	3,924)		-		-		-
Increase in other resources		(	26,863)	(	25,370)	(	20,222)	(	16,995)	(	20,977)	(	20,783)
Increase in deposit liabilities			226,483		343,249		398,047		209,224		332,613		387,387
Increase in insurance contract and other liabilities for life insurance contracts			9,341		9,064		8,912		-		-		-
Increase in other liabilities			42,920		8,864		28,775		38,716		9,724		22,838
Cash generated from (used in) operations		(	34,119)		194,679		266,190	(	46,856)		173,985		258,798
Cash paid for income taxes		(	18,642)	(	20,076)	(	13,640)	(	15,808)	(	17,358)	(	11,242)
Net Cash From (Used in) Operating Activities		(	52,761)		174,603		252,550	(	62,664)		156,627		247,556
CASH FLOWS FROM INVESTING ACTIVITIES													
Acquisitions of financial assets at FVOCI	10	(	1,332,272)	(	882,675)	(	270,590)	(	1,324,855)	(	872,261)	(	258,499)
Proceeds from disposals of financial assets at FVOCI	10		1,301,294		768,577		276,512		1,292,110		760,430		259,560
Maturities of investment securities at amortized cost	10		134,598		49,917		60,824		124,675		46,673		56,431
Acquisitions of investment securities at amortized cost	10	(	128,567)	(	115,282)	(	160,857)	(	117,882)	(	111,216)	(	155,379)
Acquisitions of financial assets at FVOCI arising from life insurance contracts	16	(	19,527)	(	23,999)	(	14,838)		-		-		-
Proceeds from disposals of financial assets at FVOCI arising from life insurance contracts	16		13,718		2,413		3,012		-		-		-
Acquisitions of premises, furniture, fixtures and equipment	12	(	9,634)	(	6,843)	(	3,888)	(	8,549)	(	5,711)	(	2,839)
Maturities of investment securities at amortized cost arising from life insurance contracts	16		1,874		257		1,107		-		-		-
Net addition to equity investment		(	360)	(	1,171)		-	(	1,853)	(	1,171)		-
Proceeds from disposals of premises, furniture, fixtures and equipment	12		139		111		285		95		39		168
Acquisitions of investment securities at amortized cost arising from life insurance contracts	16		-	(	28)	(	191)		-		-		-
Net Cash Used in Investing Activities		(	38,737)	(	208,723)	(	108,624)	(	36,259)	(	183,217)	(	100,558)
CASH FLOWS FROM FINANCING ACTIVITIES													
Proceeds from bills payable	20		298,109		187,614		140,241		238,358		134,226		110,080
Payments of bills payable	20	(	232,136)	(	198,313)	(	154,424)	(	171,033)	(	155,761)	(	125,969)
Dividends paid	22	(	20,545)	(	16,207)	(	10,255)	(	20,172)	(	16,207)	(	10,253)
Payments of lease liabilities	13	(	4,431)	(	4,370)	(	4,192)	(	4,321)	(	4,097)	(	4,032)
Proceeds from issuance of common stock	22		521		549		144		521		549		144
Capital infusion from non-controlling interest	2		264		-		-		-		-		-
Net Cash From (Used in) Financing Activities			41,782	(	30,727)	(	28,486)		43,353	(	41,290)	(	30,030)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Carried Forward)													
		(P	545,497,116)	(P	64,847)	P	115,440	(P	55,570)	(P	67,880)	P	116,968

Notes	BDO Unibank Group			Parent Bank			
	2024	2023	2022	2024	2023	2022	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS <i>(Brought Forward)</i>	(P 49,716)	(P 64,847)	P 115,440	(P 55,570)	(P 67,880)	P 116,968	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	8	94,278	82,944	69,105	91,635	80,666	66,440
Due from Bangko Sentral ng Pilipinas (BSP)	8	335,076	385,779	304,906	332,428	382,210	302,660
Due from other banks	9	84,678	58,766	70,092	76,567	51,055	64,349
Investment securities at amortized cost	10	709	-	-	709	-	-
Reverse repurchase agreements	11	25,370	26,305	17,095	24,970	26,091	15,800
Interbank loans receivables	11	48,920	98,942	81,083	49,722	102,293	81,083
Foreign currency notes and coins (FCNC)	17	8,986	10,582	5,597	8,986	10,582	5,597
Investment securities and other assets for life assurance contracts	16	454	-	-	-	-	-
		598,471	663,318	547,878	585,017	652,897	535,929
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	8	109,744	94,278	82,944	105,767	91,635	80,666
Due from BSP	8	249,593	335,076	385,779	246,815	332,428	382,210
Due from other banks	9	88,260	84,678	58,766	77,211	76,567	51,055
Investment securities at amortized cost	10	3,545	709	-	2,498	709	-
Reverse repurchase agreements	11	25,463	25,370	26,305	25,012	24,970	26,091
Interbank loans receivables	11	61,844	48,920	98,942	61,844	49,722	102,293
FCNC	17	10,301	8,986	10,582	10,300	8,986	10,582
Investment securities and other assets for life assurance contracts	16	5	454	-	-	-	-
		P 548,755	P 598,471	P 663,318	P 529,447	P 585,017	P 652,897

Supplemental Information on Non-cash Financing and Investing Activities:

The following are the significant non-cash transactions:

- The BDO Unibank Group and the Parent Bank acquired real and other properties totalling to P5,411 and P5,313, respectively, in 2024, P3,502 and P3,445, respectively, in 2023, and P8,333 and P8,230, respectively, in 2022 in settlement of certain loan accounts (see Note 14).
- The BDO Unibank Group and the Parent Bank recognized additional right-of-use assets amounting to P4,403 and P4,060, respectively, in 2024, P3,716 and P3,309, respectively, in 2023, and P4,683 and P4,414, respectively, in 2022 which are presented as part of Premises, Furnitures, Fixtures and Equipment (see Notes 12 and 13).
- At the date of merger between the Parent Bank and TPCI, the Parent Bank recognized additional assets and liabilities amounting to P16,580 and P9,746, respectively (see Note 30).

Other Information

Certain investment securities at amortized cost, reverse repurchase agreements, interbank loans receivables, and FCNC are included as part of cash and cash equivalents for cash flow purposes but are presented as part of Trading and Investment Securities, Loans and Other Receivables, Investment Securities and Other Assets for Life Insurance Contracts, and Other Resources, respectively, in the statements of financial position (see Note 2.4). Margin deposits presented as part of Due from Other Banks is excluded from cash and cash equivalents for cash flow purposes (see Note 9).

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos, Except Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

BDO Unibank, Inc. (BDO Unibank, BDO or the Parent Bank) was incorporated in the Philippines on December 20, 1967 to engage in the business of banking. It was authorized to engage in trust operations on January 5, 1988 and in foreign currency deposit operations on November 23, 1990. The Bangko Sentral ng Pilipinas (BSP) granted approval to the Parent Bank to operate as an expanded commercial bank or universal bank on August 5, 1996. The Parent Bank commenced operations as such in September of the same year. The Parent Bank and its subsidiaries (collectively referred to as BDO Unibank Group) offer a wide range of banking services such as commercial banking, investment banking, private banking, insurance and other banking services. These services include traditional loan and deposit products, as well as treasury, asset management, realty management, leasing and finance, remittance, trade services, retail cash cards, life insurance and insurance brokerage, credit card services, stock brokerage, trust and others.

As a banking institution, BDO Unibank Group's operations are regulated and supervised by the BSP. In this regard, BDO Unibank Group 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. BDO Unibank Group is subject to the provisions of Republic Act (R.A.) No. 8791, the *General Banking Law of 2000*, and other related banking laws.

The Parent Bank's common shares are listed in the Philippine Stock Exchange (PSE).

The BDO Unibank Group and the Parent Bank's banking network within and outside the Philippines as of December 31, 2024 and 2023 follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Local branches	1,791	1,720	1,222	1,206
Foreign branches	2	2	2	2
Automated teller machines (ATMs):				
On-site	2,962	2,863	2,962	2,863
Off-site	1,960	1,939	1,960	1,939
Cash accept machines (CAMs)	411	557	411	557
Branch universal machines	481	150	481	150
Self-service teller machines	-	4	-	4
Mobile automated teller machines	1	1	1	1

BDO Unibank Group operates mainly within the Philippines, with banking branches in Hong Kong and Singapore, a real estate and holding company in Europe, and various remittance subsidiaries operating in Asia, Europe, Canada and the United States. These foreign operations accounted for 2.1%, 1.8% and 1.4% of BDO Unibank Group's total revenues in 2024, 2023 and 2022, respectively, and 2.7% and 2.1% of BDO Unibank Group's total resources as of December 31, 2024 and 2023, respectively. BDO Unibank Group's subsidiaries and associates are shown in Notes 2.3 and 15.

The Parent Bank's principal office address is at BDO Corporate Center, 7899 Makati Avenue, Makati City while the temporary business address is at BDO Towers Valero, 8741 Paseo de Roxas Street, Salcedo Village, Makati City effective October 30, 2021 until further notice.

1.2 Russia - Ukraine Conflict

On February 24, 2022, Russia started its military offensive on Ukraine which caused far-reaching impact for economies, markets, and businesses. The ongoing military conflict resulted in a wide range of sanctions against Russia, including certain Russian entities and individuals and led to significant casualties, dislocation of population, damage to infrastructure, slowdown of business operations in both countries, disruption of supply chains and commodity flows that impact prices of items such as petroleum products, cereals, iron, and steel.

A prolonged conflict between Russia and Ukraine may result in a significant slowdown in the global and Philippine economy and therefore a potential consequential deterioration in the business outlook for the Philippines. However, as of end-2024, the BDO Unibank Group, whose business is primarily in the Philippines, has not been affected in a material way by the Russia-Ukraine conflict, despite its inflationary impact on commodity prices and disruption in supply chains. The Philippines remains a domestically-focused, import-dependent consumption economy, and Philippine Gross Domestic Product (GDP) numbers remained strong and resilient. This, in turn, has led to improved loan growth, steady margins despite declines in interest rates and continued improvement in net income, not just for the BDO Unibank Group, but for the industry in general.

With Donald Trump's re-election as US President, the US government has initiated discussions with Russia on finding a peaceful resolution to the Ukraine conflict. While further negotiations are anticipated, a favorable outcome remains uncertain. Failure to resolve the conflict may lead to renewed disruptions to global supply chains that could impact economic activity, leading to slower growth and less spending.

The BDO Unibank Group is carefully monitoring developments. However, the BDO Unibank Group believes that its strong market position and solid financial condition will insulate the BDO Unibank Group against rekindled short-term risks relating to the conflict.

1.3 Israel - Hamas Conflict

On October 7, 2023, Hamas militants from Gaza commenced simultaneous incursions into several areas in neighboring Israel, damaging housing and infrastructure, inflicting casualties and taking hundreds of hostages. Israel Defense Forces responded by turning back the attackers and mounting an invasion of Gaza, with the objective of addressing the Hamas threat and rescuing the hostages. The conflict resulted in significant destruction of Gaza and fatalities from both sides, including non-combatants.

A wider conflict in the Middle East (ME) poses a major risk to the Philippine economy, resulting from energy supply disruptions involving major oil-producing countries. In such a situation, the Philippines, which is a net energy importer, would be negatively impacted by higher oil prices and increased inflation, reduced consumer purchasing power, and overall uncertainties in the economic growth outlook. A wider ME conflict may also negatively impact OFW remittances from the region, which accounts for approximately 17% of the total. OFW remittances are a significant contributor to domestic consumption.

The Israel-Hamas conflict expanded beyond Gaza when Houthi rebels in Yemen, in solidarity with the Palestinians, began attacking merchant ships passing through the Red Sea. This forced shipping companies to suspend or re-route their vessels' operations on threat of being attacked. Vessels passing through the Red Sea account for an estimated 11% of global trade and 30% of global container shipping volume.

On January 15, 2025, a three-stage ceasefire agreement between Israel and Hamas to halt Gaza conflict was announced. The ceasefire arrangement included provisions for the release of captives, the withdrawal of Israeli forces and the return of Palestinians to their homes in northern Gaza. However, the ceasefire's success remains uncertain amid allegations by Hamas that Israel has not adhered to the agreement's terms.

The conflict's impact on the Philippine economy and BDO Unibank Group has been negligible so far, and the BDO Unibank Group continues to closely monitor developments on this issue.

1.4 Impact of Trump Executive Orders on Tariffs and Immigration

After assuming office last January 20, 2025, US President Donald Trump started imposing tariffs on imports from Canada, Mexico and China, and intensified mass deportations of illegal immigrants through a series of Executive Orders (EO).

The EOs are foreseen to directly affect the global economy, and indirectly the Philippine economy, via foreign exchange and interest rates. Import tariffs and tighter labor supply may translate to higher US inflation and interest rates as well as a stronger US dollar (USD), all else equal.

However, the potential impact on the Philippine economy may be relatively minimal as the Philippines is not a major player in the global supply chain with goods exports being a relatively low contributor to GDP. The country also has a well-diversified migrant work force that is not dependent on the US. While the US officially accounts for 40% of all remittance inflows as most remittances are coursed through global banks, actual worker deployment is much more diversified.

Given the unpredictable nature of recent developments and uncertain outcome, the BDO Unibank Group is carefully monitoring changes that may be related to the BDO Unibank Group and the Philippine economy. Still, BDO Unibank Group believes that its established market position and strong financial condition will mitigate risks relating to the Trump administration's policies.

1.5 Approval of Financial Statements

The financial statements of the BDO Unibank Group and the Parent Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as of December 31, 2023, with corresponding figures as of January 1, 2023, and for the years ended December 31, 2023 and 2022) were authorized for issue by the Parent Bank's Board of Directors (BOD) on February 22, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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 Financial Reporting Standards in the Philippines

The consolidated financial statements of BDO Unibank Group and the separate financial statements of the Parent 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 (IASB) 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 resources, 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 BDO Unibank Group and the Parent Bank present a statement of comprehensive income separate from the statement of income.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the BDO Unibank Group and the Parent Bank's functional and presentation currency, and all values are presented in millions, except for per share data or when otherwise indicated (see also Note 2.19).

Items included in the financial statements of BDO Unibank Group and the Parent Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which BDO Unibank Group and the Parent Bank operate.

(d) *Prior Period Restatement and Reclassification of Accounts*

In 2024, the BDO Unibank Group presented separately in the consolidated financial statements the assets and liabilities of the life insurance business held primarily for the beneficial interests of the life insurance policyholders. Such assets and liabilities were reclassified and presented within the line items Investments Securities and Other Assets for Life Insurance Contracts – net, and Insurance Contract and Other Liabilities for Life Insurance Contracts, respectively. The profit or loss items comprising pre-tax income attributable to insurance operations is also presented separately in the consolidated statement of income of the BDO Unibank Group. The reclassifications made did not affect the consolidated financial position, equity and cash flows of the BDO Unibank Group, and the presentation of the separate financial statements of the Parent Bank.

Further, in 2024, the BDO Unibank Group and Parent Bank reclassified certain transaction costs directly attributable to the acquisition, issue or disposal of financial assets or liabilities to the related interest income and interest expense. Such transaction costs were previously recognized as part of Other Operating Expenses in the statement of income. The reclassifications made did not affect the BDO Unibank Group's and Parent Bank's financial position, equity and cash flows.

Presented below and in the succeeding pages is the analysis of the effects of the prior period restatement in the BDO Unibank Group's statements of financial position as of December 31 and January 1, 2023 to align with the current year presentation.

	<u>Notes</u>		<u>As Previously Stated</u>	<u>Reclassifications</u>	<u>As Restated</u>
<u>December 31, 2023</u>					
<i>Changes in resources:</i>					
Trading and investment securities - net	10	P	931,885	(P 107,078)	P 824,807
Loans and other receivables - net	11		2,886,028	(4,083)	2,881,945
Investment properties - net	14		46,810	(4,381)	42,429
Investment securities and other assets for life insurance contracts - net	16	-		115,601	115,601
Other resources - net	17		45,646	(59)	45,587
Effect in total resources				<u>P -</u>	

	Notes		As Previously Stated	Reclassifications	As Restated
<u>December 31, 2023</u>					
<i>Changes in liabilities:</i>					
Insurance contract and other liabilities for life insurance contracts	16	P	-	P 82,521	P 82,521
Insurance contract liabilities	16		77,210	(77,210)	-
Other liabilities	21		124,765	(5,311)	119,454
Effect in total liabilities				<u>P -</u>	
<u>January 1, 2023</u>					
<i>Changes in resources:</i>					
Trading and investment securities - net	10	P	722,830	(P 81,096)	P 641,734
Loans and other receivables - net	11		2,696,901	(4,378)	2,692,523
Investment properties - net	14		21,158	(3,975)	17,183
Investment securities and other assets for life insurance contracts - net	16	-	-	89,493	89,493
Other resources - net	17		52,669	(44)	52,625
Effect in total resources				<u>P -</u>	
<i>Changes in liabilities:</i>					
Insurance contract and other liabilities for life insurance contracts	16	P	-	P 69,385	P 69,385
Insurance contract liabilities	16		64,363	(64,363)	-
Other liabilities	21		129,114	(5,022)	124,092
Effect in total liabilities				<u>P -</u>	

The total transaction cost reclassified to interest income and interest expense in the 2023 statements of income amounted to P4,412 and P5,581, respectively for the BDO Unibank Group and P4,412 and P5,212, respectively for the Parent Bank. In the 2022 statements of income, the total transaction cost reclassified to interest income and interest expense amounted to P4,664 and P3,096, respectively for the BDO Unibank Group and P4,664 and P2,806 respectively for the Parent Bank. In total, the effect of prior period restatement and reclassifications in the statements of income of BDO Unibank Group and the Parent Bank for the years ended December 31, 2023 and 2022 is summarized below and in the succeeding page.

BDO Unibank Group	Notes		As Previously Stated	Reclassifications	As Restated
<u>2023</u>					
Interest income	23	P	240,196	(P 8,492)	P 231,704
Interest expense	24		53,809	5,508	59,317
Impairment losses	18		16,396	(15)	16,381
Other operating income	25		84,017	(18,702)	65,315
Income attributable to insurance operations	16	-	-	6,372	6,372
Other operating expenses	25		156,827	(26,315)	130,512
Effect in profit before tax				<u>P -</u>	
<u>2022</u>					
Interest income	23	P	169,071	(P 7,251)	P 161,820
Interest expense	24		19,839	3,022	22,861
Impairment losses	18		16,366	(26)	16,340
Other operating income	25		71,535	(19,311)	52,224
Income attributable to insurance operations	16	-	-	4,976	4,976
Other operating expenses	25		131,208	(24,582)	106,626
Effect in profit before tax				<u>P -</u>	

Parent Bank	Notes		As Previously Stated	Reclassifications		As Restated
<u>2023</u>						
<i>Change in profit before tax:</i>						
Interest income	23	P	226,389	(P 4,412)	P	221,977
Interest expense	24		51,111	5,212		56,323
Other operating expenses	25		128,942	(9,624)		119,318
Effect in profit before tax				<u>P -</u>		
<u>2022</u>						
<i>Change in profit before tax:</i>						
Interest income	23	P	158,632	(P 4,664)	P	153,968
Interest expense	24		18,728	2,806		21,534
Other operating expenses	25		104,119	(7,470)		96,649
Effect in profit before tax				<u>P -</u>		

2.2 Adoption of Amended PFRS Accounting Standards

(a) Effective in 2024 that are Relevant to BDO Unibank Group and the Parent Bank

The BDO Unibank Group and the Parent 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 BDO Unibank Group and the Parent Bank's financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose 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 BDO Unibank Group and the Parent 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 BDO Unibank Group and the Parent Bank's financial statements.
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments requires 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 BDO Unibank Group and the Parent Bank's financial statements.

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

There are new standards and 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, unless otherwise stated, none of these are expected to have significant impact on the BDO Unibank Group and the Parent Bank's financial statements.

- (i) PFRS 17 *Insurance Contracts – Insurance Contracts* (effective from January 1, 2025). The new standard for insurance contracts, which covers recognition, measurement, presentation and disclosure, will replace PFRS 4, *Insurance Contracts*. On December 15, 2021, the FSRSC amended the effective date of PFRS 17 from January 1, 2023 to January 1, 2025. In line with this, the Insurance Commission (IC) issued Circular Letter No. 2020-62 on May 18, 2020 providing further deferral of the implementation of PFRS 17 for life insurance and non-life insurance industry by two years after the IASB effective date.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9, *Financial Instruments*.

In addition, the standard provides an optional simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

In preparation for the adoption of PFRS 17, the BDO Unibank Group continues to perform end to end system tests, preparing policy and accounting data required for these tests and updating the accounting and actuarial policies and processes to comply with PFRS 17 requirements. Also, the BDO Unibank Group is still assessing the quantitative impact of the initial application of the new standard to its financial statements.

- (ii) PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2025)
- (iii) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- (iv) 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)
- (v) 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 income (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.
- (vi) PFRS 19, *Subsidiaries without Public Accountability: Disclosures* (effective from January 1, 2027)
- (vii) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)

2.3 Basis of Consolidation

The BDO Unibank Group's consolidated financial statements comprise the accounts of the Parent Bank, and its subsidiaries as enumerated in Notes 2.3(c) and 15, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the BDO Unibank Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting principles.

The Parent Bank accounts for its investments in subsidiaries, associates, and transactions with non-controlling interests as follows:

(a) Investments in Subsidiaries

In the consolidated statements of the BDO Unibank Group, the acquisition method is applied to account for acquired subsidiaries. Acquisition method requires recognizing and measuring the identifiable resources acquired, the liabilities assumed and any non-controlling interest in the acquiree.

On the other hand, business combinations arising from transfers of interests in entities that are under the common control of the shareholders that controls BDO Unibank Group are accounted for under the pooling-of-interest method and reflected in the financial statements at the date of the combination of the entities under common control; for this purpose, no restatement of financial information for periods prior to the transaction is made. The resources and liabilities acquired are recognized in BDO Unibank Group's financial statements at their carrying amounts (i.e., in the case of a legal merger of a subsidiary to the Parent Bank, at the carrying values in the consolidated financial statements).

Investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method in the Parent Bank's financial statements (see Note 2.10).

(b) *Investment in Associates*

Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Acquired investment in associate is subject to the purchase method.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the BDO Unibank Group and the Parent Bank's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in net income of subsidiaries and associates as part of Miscellaneous - net under Other Operating Income account in the statement of income for BDO Unibank Group and Parent Bank, respectively.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the BDO Unibank Group and the Parent Bank, as applicable. However, when the BDO Unibank Group and the Parent Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the BDO Unibank Group and the Parent Bank do not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the BDO Unibank Group and the Parent Bank resume recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

(c) *Transactions with Non-controlling Interests*

BDO Unibank Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of BDO Unibank Group in their capacity as owners.

In BDO Unibank Group's financial statements, the non-controlling interest component is shown in its statement of changes in equity, and in its statement of income and statement of comprehensive income for the share of profit or loss and movement of other comprehensive income, respectively, during the year.

The BDO Unibank Group holds interests in the following subsidiaries:

Subsidiaries	Percentage of Ownership		
	2024	2023	2022
Rural Bank			
BDO Network Bank, Inc. (BDO Network)	84.92%	84.91%	87.37%
Investment House			
BDO Capital & Investment Corporation (BDO Capital)	99.88%	99.88%	99.88%

Subsidiaries	Percentage of Ownership		
	2024	2023	2022
Private Banking			
BDO Private Bank, Inc. (BDO Private)	100%	100%	100%
Leasing and Finance			
Averon Holdings Corporation (Averon)	99.88%	99.88%	99.88%
BDO Rental, Inc. (BDO Rental)	100%	100%	100%
BDO Finance Corporation (BDO Finance)	100%	100%	100%
The Podium Complex, Inc. (TPCI)** (formerly, SM Keppel Land, Inc.)	-	100%	50%
Securities Companies			
BDO Securities Corporation (BDO Securities)	99.88%	99.88%	99.88%
Real Estate Companies			
BDORO Europe Ltd. (BDORO)	100%	100%	100%
Equimark-NFC Development Corporation (Equimark) *	60%	60%	60%
Insurance Companies			
BDO Life Assurance Company Inc. (BDO Life)	100%	100%	100%
BDO Insurance & Reinsurance Brokers, Inc. (BDOI) (formerly BDO Insurance Brokers Incorporated)	100%	100%	100%
Holding Companies			
Dominion Holdings, Inc. (Dominion Holdings)	88.54%	88.54%	88.54%
BDO Strategic Holdings, Inc. (BDOSHI)	100%	100%	100%
Remittance Companies			
BDO Remit (USA), Inc. (BRUSA)*****	100%	100%	100%
BDO Remit (Japan) Ltd.	100%	100%	100%
BDO Remit (Canada) Ltd.	100%	100%	100%
BDO Remit Limited	100%	100%	100%
BDO Remit (Macau) Ltd.	100%	100%	100%
BDO Remit (UK) Ltd.****	99.88%	99.88%	99.88%
BDO Remit International Holdings B.V. (BDO RIH)*	96.20%	96.20%	96.20%
BDO Remit (Spain) S.A.***	-	-	96.20%
CBN Greece S.A.*	96.13%	96.13%	96.13%

* Under liquidation

** Merged with Parent Bank on December 1, 2024

*** Liquidated on February 7, 2023 (see Note 30.1)

**** For liquidation

***** For sale or liquidation

Non-controlling interests represent the interests not held by BDO Unibank Group in BDO Network, BDO Capital, Dominion Holdings, Averon, BDO Securities, Equimark, BDO Remit (UK), BDO RIH, BDO Remit Spain and CBN Greece (see Note 15).

On November 29, 2023, non-controlling interests infused additional capital amounting to P450 in BDO Network, decreasing the BDO Unibank Group's ownership to 84.91%.

On June 28, 2024, BDO Unibank subscribed to additional 38,930,613 of BDO Network common shares at the total subscription price of P1,494, thereby increasing its shareholdings from 84.91% to 85.99% in 2024.

On September 26, 2024, non-controlling interests infused additional capital amounting to P264 in BDO Network, decreasing the BDO Unibank Group's ownership to 84.92%.

2.4 Financial Assets and Financial Liabilities

Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the BDO Unibank Group commits to purchase or sell the asset).

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets are described below.

(i) Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the BDO Unibank Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (SPPI). In making this assessment, the BDO Unibank Group 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 or loss (FVTPL).

The BDO Unibank Group's financial assets at amortized cost are presented as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Other Receivables, Investment securities at amortized cost under Trading and Investment Securities and certain accounts under Investment Securities and Other Assets for Life Insurance Contracts and Other Resources accounts in the statement of financial position.

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins (FCNC), reverse repurchase agreements, certain interbank bank loans receivables and investment securities at amortized cost with original maturities of three months or less from placement date.

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

At initial recognition, BDO Unibank Group 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 BDO Unibank Group for trading or as mandatorily required to be classified as FVTPL. The BDO Unibank Group has designated certain equity instruments as at FVOCI.

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

Equity securities are classified as financial assets at FVTPL, unless the BDO Unibank Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The BDO Unibank Group's financial assets at FVTPL include equity securities which are held for trading purposes.

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

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

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

Interest income is recognized using the effective interest rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI are also recorded by using the EIR method.

The BDO Unibank Group 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 statement of financial position with an increase (reduction) in interest income. The adjustment is subsequently amortized through interest and similar income in the statement of income.

The BDO Unibank Group 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 [see Note 2.4(c)], interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, 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 effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(c) *Impairment of Financial Assets*

At the end of the reporting period, the BDO Unibank Group assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets which consist of debt instruments carried at amortized cost and FVOCI and other contingent accounts such as committed credit lines and unused commercial letter of credits. No impairment loss is recognized on equity investments. The BDO Unibank Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The BDO Unibank Group 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 associated with the probability of default (PD) of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). When 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 loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall also 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 BDO Unibank Group's definition of credit risk and information on how credit risk is mitigated by the BDO Unibank Group are disclosed in Note 4.3.

(d) *Measurement of ECL*

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The BDO Unibank Group'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 BDO Unibank Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the BDO Unibank Group assesses whether or not the new terms are substantially different to the original terms. The BDO Unibank Group 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 BDO Unibank Group derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the BDO Unibank Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized as gain or loss on derecognition of financial assets in profit or loss.

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the BDO Unibank Group 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) *Classification and Measurement of Financial Liabilities*

Financial liabilities include deposit liabilities, bills payable, insurance contract (see Note 2.12) and other liabilities for life insurance contracts and other liabilities (including derivatives with negative fair values, except taxes payable, unearned income and capitalized interest and other charges).

- *Deposit liabilities and other liabilities* are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.
- *Bills payable* are recognized initially at fair value, equivalent to the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable are subsequently measured at amortized cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- *Derivatives with negative fair values* are recognized initially and subsequently measured at fair value with changes in fair value recognized in profit or loss (see Note 2.5).
- *Lease deposits from operating and finance leases* (presented as Lease deposits under Other Liabilities account in the statement of financial position) are initially recognized at fair value. The excess of the principal amount of the deposits over its fair or present value is immediately recognized as day-one gain and is included as part of Miscellaneous - net under Other Operating Income account in the statement of income. Meanwhile, interest expense on the subsequent amortization of the lease deposits is accrued using the effective interest method and is included as part of Interest Expense account in the statement of income.
- *Dividend distributions to shareholders* are recognized as financial liabilities when the dividends are declared by BDO Unibank Group and subject to the requirements of BSP Circular No. 888.

(g) *Financial Guarantees and Undrawn Loan Commitments*

The BDO Unibank Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the BDO Unibank Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the BDO Unibank Group is required to provide a loan or credit with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not reflected in the statement of financial position. These contracts are in the scope of the ECL requirements where the BDO Unibank Group estimates the expected portion of the irrevocable undrawn loan commitments that will be drawn over their expected life based on the BDO Unibank Group's historical observations of actual drawdowns and forward-looking forecasts. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statement of financial position.

2.5 Derivative Financial Instruments

BDO Unibank Group is a party to various foreign currency forwards, cross-currency swaps and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing BDO Unibank Group's foreign exchange and interest rate exposures, as well as for trading purposes. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For more complex instruments, BDO Unibank Group uses valuation models, which usually use the discounted cash flow approach [see Note 3.2(c)]. 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.

Certain derivatives, if any, may be designated as either: (i) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or, (ii) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Changes in the fair value of derivatives are recognized in profit or loss. The method of recognizing the resulting fair value gain or loss on derivatives that qualify as hedging instrument, if any, depends on the hedging relationship designated by BDO Unibank Group.

2.6 Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. All other premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

Buildings	10 to 50 years
Furniture, fixtures and equipment	3 to 15 years
Leasehold rights and improvements	5 to 10 years

2.7 Investment Properties

Investment properties are stated at cost. The cost of an investment property comprises its purchase price and directly attributable costs incurred. This also includes land and building acquired by BDO Unibank Group from defaulting borrowers not held for sale in the next 12 months. For these properties, the cost is recognized initially at fair value. Investment properties, except land, are depreciated on a straight-line basis over a period of 10 to 50 years.

BDO Unibank Group adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value.

Depreciation and impairment loss are recognized in the same manner as in premises, furniture, fixtures and equipment (see Notes 2.6 and 2.18).

2.8 Real Properties for Development and Sale

Real properties for development and sale (included as part of Other Resources account) consist of subdivision land for sale and development, and land acquired for home building, home development, and other types of real estate development. These are carried at the lower of aggregate cost and net realizable value. Costs, which are determined through specific identification, include acquisition costs and costs incurred for development, improvement and construction of subdivision land.

2.9 Non-current Assets Held for Sale

Non-current assets held for sale include other properties (chattels) acquired through repossession or foreclosure that BDO Unibank Group intends to sell within one year from the date of classification as held for sale.

BDO Unibank Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond BDO Unibank Group's control and there is sufficient evidence that BDO Unibank Group remains committed to sell the asset.

2.10 Equity Investments

In the Parent Bank's financial statements, investments in subsidiaries and associates (presented under Equity Investments account in the statements of financial position) are accounted for under the equity method of accounting and are initially recognized at cost less allowance for impairment, if any (see Note 2.18).

2.11 Intangible Assets

Intangible assets include goodwill, trading rights, branch licenses, customer lists, trademark and computer software licenses.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition. Goodwill is subsequently carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

Trading rights represent the rights given to securities subsidiaries of BDO Unibank Group in stock brokerage to preserve access to the trading facilities and to transact business on PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment loss, if any. BDO Unibank Group has no intention to sell its trading right in the future as it intends to continue to operate its stock brokerage business. The trading right is tested annually for any impairment in realizable value (see Note 2.18).

Branch licenses, on the other hand, represent the rights given to BDO Unibank Group to establish certain number of branches as an incentive in acquiring distressed banks or as provided by the BSP in addition to the current branches of the acquired banks. Branch licenses are assessed as having an indefinite useful life and are tested annually for any impairment (see Note 2.18).

Customer lists consist of information about customers such as their name, contact information, and managed accounts under BDO Unibank Group's trust business. The customer list is classified as intangible asset with indefinite useful life, hence, would be reviewed for impairment by assessing at each reporting date whether there is any indication that the trust business brought about by the customer lists may be impaired (see Note 2.18).

Trademark pertains to the license granted to the Parent Bank for the exclusive right to use the trademark, service mark, name or logo of Diners Club International, Ltd. (Diners) in connection with the Parent Bank's operation of Diners Club card business in the Philippines. The trademark is covered by a trademark license agreement with a term of five years, renewable every five years, subject to certain conditions set by trademark owner. This intangible asset is recognized at an amount equal to the excess of purchase price for the acquisition of Diners credit card portfolio over the acquisition-date fair value of the net assets acquired. As of December 31, 2024, the trademark is fully amortized subject to automatic renewal every five years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on straight-line basis over the expected useful life of five years.

2.12 Insurance Contract Liabilities

(a) Legal Policy Reserves

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a prospective actuarial valuation method and assumptions subject to the provisions of the Insurance Code and guidelines set by the IC.

The BDO Unibank Group uses gross premium valuation (GPV) as the basis for valuation of the reserves for traditional life insurance policies. GPV is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate provided by the IC. For this purpose, the expected future cash flows shall be determined using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation (MfAD) from the expected experience. The methods and assumptions shall be in accordance with the internationally accepted actuarial standards and consider the generally accepted actuarial principles concerning financial reporting framework promulgated by the Actuarial Society of the Philippines, which considers other assumptions such as morbidity, lapse and/or persistency, non-guaranteed benefits and MfAD.

The changes in legal policy reserves for traditional life insurance policies are recognized as follows:

- (i) the increase or decrease in legal policy reserves in the current year due to other assumptions excluding change in discount rate will be recognized to profit or loss; and,
- (ii) remeasurement on life insurance reserves due to changes in discount rates will be recognized in other comprehensive income.

(b) Insurance Contracts with Fixed and Guaranteed Terms

Liabilities are determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums discounted at rates prescribed by the IC. Future cash flows are determined using best estimate assumptions with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

BDO Unibank Group has different assumptions for different products. However, the reserves are computed to comply with the statutory requirements, wherein discount rates are based on risk-free discount rates provided by IC and other assumptions such as mortality, disability, lapse, and expenses taking into account BDO Unibank Group's experience.

(c) Variable Unit-linked Insurance (VUL) Contracts

BDO Unibank Group, through BDO Life, issues unit-linked insurance contracts. In addition to providing insurance coverage, a unit-linked contract links payments to units of an internal investment fund set up by BDO Unibank Group with the consideration received from the policyholders. Premiums received from the issuance of unit-linked insurance contracts are recognized as premiums revenue. As allowed by PFRS 4, BDO Unibank Group chose not to unbundle the investment portion of its unit-linked products.

The reserve for unit-linked liability is increased by additional deposits and changes in unit prices and is decreased by policy administration fees, mortality and surrender charges and any withdrawals. At each reporting date, this reserve is computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying investment funds. The assets and liabilities underlying the internal investment funds have been consolidated with the general accounts of BDO Unibank Group.

(d) *Liability Adequacy Test*

Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

2.13 Equity

Equity consists of the following:

- (a) Capital stock represents the nominal value of shares that have been issued.
- (b) Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.
- (c) Surplus reserves consist of (i) reserve for trust business - represents the accumulated amount set aside by BDO Unibank Group under existing regulations requiring the BDO Unibank Group to carry to surplus 10% of its net profits accruing from its trust business until the surplus shall amount to 20% of the regulatory capital as prescribed by BSP; (ii) reserve for insurance fund and additional working capital for underwriting and equity trading securities and reserve fund requirement for subsidiaries engaged in the security brokerage business (see Note 22.5); (iii) share options outstanding (SOO) - represents the accumulated total of employee share options' amortizations over the vesting period as the share-based employee remuneration are recognized and reported in the statement of income. SOO will be deducted for any exercise or forfeiture of share options already vested; and, (iv) appropriation for general loan loss provision (GLLP) as prescribed by the BSP to meet the required 1% GLLP on Stage 1 loans.
- (d) Merger reserves pertain to the difference between the consideration paid and the carrying amounts of the net assets acquired in a business combination under common control.
- (e) Other reserves pertain to the amount recognized from changes in BDO Unibank Group's ownership interest in any of its subsidiaries that do not result in loss of control.
- (f) Surplus free includes all current and prior period results as disclosed in the statement of income and which are available and not restricted for use by BDO Unibank Group, reduced by the amounts of dividends declared, if any.
- (g) Net unrealized gain or loss (NUGL) on FVOCI composed of cumulative mark-to-market valuation of outstanding securities and accumulated impairment on debt securities classified as FVOCI.
- (h) Accumulated actuarial gains or (losses) from the remeasurements of post-employment defined benefit plan.
- (i) Revaluation increment pertains to gains from the revaluation of land under premises, furniture, fixtures and equipment, which is treated as part of the deemed cost of the assets (see Note 2.6).

- (j) Remeasurement on life insurance reserves arises from the increase or decrease of the reserves brought about by changes in discount rates.
- (k) Accumulated translation adjustment pertains to foreign exchange differences arising on translation of the resources and liabilities of foreign branch and subsidiaries that are taken up in other comprehensive income (see Note 2.19).
- (l) Accumulated share in other comprehensive income (loss) of subsidiaries and associates pertains to changes resulting from the BDO Unibank Group and the Parent Bank's share in other comprehensive income (loss) of subsidiaries and associates or items recognized directly in the subsidiaries and associates' equity.
- (m) Non-controlling interests represent the portion of the net resources and profit or loss not attributable to BDO Unibank Group, which are presented separately in BDO Unibank Group's statement of income, statement of comprehensive income and within the equity in BDO Unibank Group's statement of financial position and changes in equity.

2.14 Related Party Transactions and Relationships

The BDO Unibank Group has established policies and procedures on related party transactions (RPT) in accordance with the BSP and Securities and Exchange Commission (SEC) regulations. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention or management of potential or actual conflicts of interest which arise from RPTs, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle-blowing mechanisms, and restitution of losses and other remedies for abusive RPTs. The RPT Committee reviews, approves and endorses to the BOD for final approval all material RPTs.

Material RPT whose value exceeds 10% of the BDO Unibank Group's total resources based on the latest audited consolidated financial statements, either singly or aggregated within a 12-month period, with the same related party, shall require review of an external independent party appointed by the BOD. The approval of two-thirds vote of the BOD, with at least a majority of the independent directors voting affirmatively shall be obtained prior to the execution of the material RPT. In case that majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock.

The RPT policy applies to the Parent Bank, its subsidiaries and affiliates, as appropriate, to ensure that every related party transaction is conducted in a manner that will protect the BDO Unibank Group from any conflict of interest which may arise between the BDO Unibank Group and its related parties. The policy also covers the proper review, approval, ratification and disclosure of transactions between the BDO Unibank Group and any of its related party/ies in compliance with legal and regulatory requirements. The policy likewise requires any member of the RPT Committee who has a potential interest in any RPT to abstain from the discussion and endorsement of the RPT. Similarly, any member of the BOD who has an interest in the transaction must abstain from the deliberation and approval of any RPT.

2.15 Other Income and Expense Recognition

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

The BDO Unibank Group also earns service fees and commissions in various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the BDO Unibank Group in accordance with PFRS 15.

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

- (a) *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized over time as the service is being provided and is based on the various criteria of recognition for each specific income source. These include the following accounts:
 - (i) *Commission and fees* arising from loans, deposits, and other banking transactions are taken up as income based on agreed terms and conditions.
 - (ii) *Loan syndication fees* are recognized as revenue when the syndication has been completed and that BDO Unibank Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.
 - (iii) *Arranger fees* arising from negotiating or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized at the completion of the underlying assumptions.
 - (iv) *Portfolio and other management advisory and service fees* are recognized based on the applicable service contracts, usually on a time-proportionate basis.
- (b) *Asset management services* – The BDO Unibank Group recognizes trust fees related to asset management services, which include trust and fiduciary services. Trust fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

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

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

The BDO Unibank Group recognizes an expense and liability relative to the fair value of the reward points earned by clients and customers [see Note 3.2(j)] since such points are redeemable primarily from the goods or services provided by a third party participating in the program, for example, SM Group (a related party) and rewards partners of the Parent Bank.

2.16 Provisions and Contingencies

The BDO Unibank Group offers rewards to active account holders in relation to its credit card and marketing rewards program. Provisions for rewards are recognized at a certain rate of the account holders' availments, determined by management based on redeemable amounts [See Note 3.2 (j)]

2.17 Leases

BDO Unibank Group accounts for its leases as follows:

(a) BDO Unibank Group as Lessor

Leases, wherein BDO Unibank Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are presented as receivable at an amount equal to BDO Unibank Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on BDO Unibank Group's net investment outstanding in respect of the finance lease.

(b) BDO Unibank Group as Lessee

Subsequent to initial recognition, the BDO Unibank Group 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 of the right-of-use asset or the end of the lease term. The BDO Unibank Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

BDO Unibank Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense as incurred.

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

2.18 Impairment of Non-financial Assets

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

2.19 Foreign Currency Transactions and Translations

(a) Foreign Currency Transactions

The financial statements of the Foreign Currency Deposit Unit (FCDU) of BDO Unibank Group 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.

(b) Foreign Currency Translation

The accounting records of BDO Unibank Group are maintained in Philippine pesos except for foreign branches and subsidiaries, which are maintained in USD, Canadian Dollar (CAD), European Union Euro (Euro), Great Britain Pound (GBP), Japanese Yen (JPY), Hong Kong Dollars (HKD) or Singapore Dollar (SGD).

On consolidation, exchange differences arising from the translation of foreign branch and net investment in foreign subsidiaries are recognized in other comprehensive income as part of Accumulated Translation Adjustment account. When a foreign operation is sold, the cumulative amount of exchange differences is recognized in profit or loss.

The translation of the financial statements into Philippine peso should not be construed as a representation that the USD, CAD, Euro, GBP, JPY, HKD or SGD amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.20 Compensation and Benefits Expense

BDO Unibank Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

BDO Unibank Group's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee. The defined benefit obligation (DBO) is calculated annually by independent actuaries using the projected unit credit method.

A defined contribution plan is a post-employment plan under which BDO Unibank Group pays the required employer's contributions into an independent entity, such as the Social Security System. BDO Unibank Group has no legal or constructive obligations to pay further contributions after payment of the required employer's contribution.

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which the employee services are rendered, but do not include termination benefits.

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

BDO Unibank Group recognizes a liability and an expense for bonuses based on the BDO Unibank Group's bonus policy. A provision is recognized by BDO Unibank Group where it is contractually obliged to pay the benefits or where there is a past practice that has created a constructive obligation.

BDO Unibank Group has an employee stock option plan (ESOP) for its senior officers (from vice-president up) for their contribution to BDO Unibank Group's performance and attainment of team goals. None of the BDO Unibank Group's stock plan is cash-settled.

The stock options are measured at their fair values using the Black-Scholes option model. The stock options allocated to the qualified officers is based on the performance of the senior officers as determined by management and it requires a vesting period of five years. These are adjusted accordingly for any resignation or disqualification. The vested options may be exercised within three years from vesting date. The cost of ESOP is amortized over five years (vesting period) starting from the approval of the BOD. The annual amortization of stock options is included in Compensation and benefits under Other Operating Expenses account in the statement of income with corresponding recognition of SOO (included as part of Surplus Reserves under the Equity section of the statements of financial position).

2.21 Earnings Per Share

Basic earnings per share is determined by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period, after retroactive adjustment for any stock dividend declared in the current period.

The diluted earnings per share is computed in the same manner, however, consolidated net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares and stock option plan granted by BDO Unibank Group to the qualified officers (to the extent that shares under the stock option plan shall be issued from the unissued authorized capital stock and not purchased from the market or stock exchange).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

BDO Unibank Group and the Parent 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 ultimately differ from these estimates and the differences could be significant.

3.1 *Critical Management Judgments in Applying Accounting Policies*

In the process of applying BDO Unibank Group'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 Financial Assets at Amortized Cost and Financial Assets at FVOCI*

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

BDO Unibank Group 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 (see Note 4.3.5).

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

BDO Unibank Group 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.

BDO Unibank Group developed business models which reflect how it manages its portfolio of financial instruments. BDO Unibank Group'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 BDO Unibank Group) 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, BDO Unibank Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by BDO Unibank Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to BDO Unibank Group'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, BDO Unibank Group 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, BDO Unibank Group 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, BDO Unibank Group 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, BDO Unibank Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if BDO Unibank Group can explain the reasons for those sales and why those sales do not reflect a change in BDO Unibank Group's objective for the business model.

(d) *Distinction Between Investment Properties and Owner-occupied Properties*

BDO Unibank Group determines whether a property qualifies as investment property. In making its judgment, BDO Unibank Group considers whether the property generates cash flows largely independent of the other assets held by BDO Unibank Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other resources used in the supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), BDO Unibank Group accounts for those portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The BDO Unibank Group considers each property separately in making its judgment.

(e) *Distinction Between Operating and Finance Leases for Contracts where BDO Unibank Group is the Lessor*

The BDO Unibank Group has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources.

(f) *Determination of Lease Term*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of land and office spaces, the factors that are normally the most relevant are (i) if there are significant penalties should BDO Unibank Group pre-terminate the contract, and (ii) if any leasehold improvements are expected to have a significant remaining value, BDO Unibank Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the BDO Unibank Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The BDO Unibank Group did not include the renewal period as part of the lease term of the land and office spaces because the terms of most of the contracts are renewable upon the mutual agreement of the parties.

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

(g) *Classification and Fair Value Determination of Acquired Properties*

The BDO Unibank Group classifies its acquired properties as Premises, Furniture, Fixtures and Equipment if used in operations, chattels as Non-current assets held for sale (presented under Other Resources account) if expected to be recovered through sale rather than use, real properties as Investment Properties if intended to be held for capital appreciation or lease, as financial assets if qualified as such in accordance with PFRS 9 or as Other properties (presented under Other Resources account) if held for sale but the depreciable properties (other than building) are not yet disposed within certain years. At initial recognition, the BDO Unibank Group determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties. The BDO Unibank Group's methodology in determining the fair value of acquired properties is further discussed in Note 7.5.

(h) *Assessment of Significant Influence on Entities in which BDO Unibank Group Holds Less than 20% Ownership*

The management considers that the BDO Unibank Group and the Parent Bank have significant influence on NLEX Corporation even though it holds less than 20% of the ordinary shares in the latter. In making this judgment, management considered the BDO Unibank Group and the Parent Bank's voting rights, which is based on its acquired right to nominate a director in NLEX Corporation as granted in the Amended and Restated Shareholders' Agreement (ARSA).

The ARSA provides that investors shall be entitled to nominate one director for as long as it owns at least 10% of the equity of NLEX Corporation or shall be entitled to nominate two directors for as long as it owns at least 16.5% of the equity of NLEX Corporation.

Failure to make the right judgment will result in either overstatement or understatement of resources, liabilities, income and expenses.

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

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

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

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

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

(k) *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 BDO Unibank Group 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 34.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Estimation of Allowance for ECL*

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

The carrying value of financial assets at FVOCI, Investment securities at amortized cost, Loans and Other Receivables, are financial assets at FVOCI for life insurance contracts, and the analysis of the allowance for impairment on such financial assets, are shown in Notes 10.2, 10.3, 11, 16.1 and 18, respectively.

(b) *Fair Value Measurement 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 by management. 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 carrying values of the BDO Unibank Group's financial assets at FVTPL and financial assets at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 10.1, 10.2, and 16.1.

(c) *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 normally using the discounted cash flow model.

The value produced by a model or other valuation technique, in some instances, 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 as well as 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.

(d) *Estimation of Useful Lives of Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources*

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

The carrying amounts of premises, furniture, fixtures and equipment are analyzed in Note 12 while investment properties and other resources, including trademark, goodwill and branch licenses, are analyzed in Notes 14 and 17, respectively.

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

The BDO Unibank Group 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 BDO Unibank Group'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.

(f) *Determination of Assumptions for Management's Estimation of Fair Value of Investment Properties*

Investment properties are measured using the cost model. The fair value disclosed in Note 14 to the financial statements is determined by BDO Unibank Group using the discounted cash flows valuation technique which are mainly based on existing market conditions and actual transactions at each reporting period such as selling price under installment sales, expected timing of sale and appropriate discount rates. The expected selling price is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition (see Note 7.5).

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(g) *Determination of Realizable Amount of Deferred Tax Assets*

BDO Unibank Group 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 assets to be utilized. Significant judgment is applied by the management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of BDO Unibank Group's future taxable income. The BDO Unibank Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying value of deferred tax assets, which management assessed to be utilized within the next two to three years, as of December 31, 2024 and 2023 is disclosed in Note 31.1.

(h) *Impairment of Non-financial Assets*

In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and other intangible assets with indefinite useful lives, PAS 36, *Impairment of Assets*, requires that an impairment review be performed when certain impairment indicators are present. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized in profit or loss are disclosed in Note 18.

(i) *Valuation of Post-employment Defined Benefit*

The determination of BDO Unibank Group's obligation and cost of post-employment and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26.2 and include, among others, discount rates, expected rate of return on plan asset and salary increase rates. 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 obligation, as well as the significant assumptions in estimating such obligation are presented in Note 26.2.

(j) *Recognition of Reward Points*

The BDO Unibank Group provides rewards points to its banking clients and customers based on the month-to-date average daily balance they maintain in their personal current and savings accounts and credit card usages. Reward points are redeemable in a wide selection of reward categories, including travel, merchandise of third parties, reward credits and gift certificates. Certain loyalty points for credit card have no expiration date unless the credit card is cancelled but for other rewards program, unredeemed points may expire at some future date.

The BDO Unibank Group sets up a liability to cover the cost of future reward redemptions for points earned to date. The estimated liability is based upon points earned by the clients and the current cost per point of redemption. The estimated points to be redeemed are measured and adjusted based on many factors including but not limited to past redemption behavior of the clients, product type on which the points are earned and their ultimate redemption rate on the points earned to date but not yet redeemed.

The BDO Unibank Group continually evaluates its estimates for rewards based on developments in redemption patterns, cost per point redeemed and other factors. The estimated liability for unredeemed points is impacted over time by the amount of points earned and redeemed, weighted-average cost per point, redemption choices made by the clients and other membership rewards program changes. The calculation is most sensitive to changes in the estimated ultimate redemption rate. This rate is based on the expectation that a large majority of all points earned will eventually be redeemed.

The carrying value of the rewards points accrued by BDO Unibank Group are presented as part of Accrued expenses under Other Liabilities account in the statement of financial position as disclosed in Note 21.

(k) *Valuation of Legal Policy Reserves*

Legal policy reserves represent estimates of present value of future benefits and expenses in excess of present value of future gross premiums. These estimates are based on interest rates, mortality/morbidity tables, lapses and valuation method subject to the provisions of the Code and guidelines set by the IC.

The liability for life insurance contracts uses the discount rate as provided by the IC with other assumptions based on best estimate with regard to significant recent experience and appropriate MfAD from the expected experience. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability. The main assumptions used relate to mortality, morbidity, lapse, discount rate and expense.

For life insurance contracts, estimates are made as to the expected number of deaths and lapses for each of the years in which the BDO Unibank Group is exposed to risk. The BDO Unibank Group uses mortality tables and lapse rates subject to the guidelines set by the IC as the basis of these estimates. The estimated number of lapses, deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums (see Note 16.2).

(l) *Fair Value Measurement of Share Options*

The BDO Unibank Group estimates the fair value of the executive stock option by applying the Black-Scholes option pricing model, considering the terms and conditions on which the stock option plan was granted. The estimates and assumptions used include, among others, the option's vesting period, applicable risk-free interest rate, expected dividend yield, volatility of the BDO Unibank Group's share price, and fair value of the BDO Unibank Group's common shares. Changes in these factors can affect the fair value of stock options at grant date.

4. **RISK MANAGEMENT**

The BOD 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.

The BOD has constituted the Risk Management Committee (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, information technology (IT) risk, information security and cyber-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 BDO Unibank Group's strategic direction and overall risk appetite.

Within BDO Unibank Group's overall risk management system is the Assets and Liabilities Committee (ALCO), which is responsible for managing the BDO Unibank Group's statement of financial position, including the BDO Unibank Group'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 BDO Unibank Group operates an enterprise-wide risk management system to address the risks it faces in its banking activities. The Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the BDO Unibank Group's activities across the different risk areas, i.e., credit, market, liquidity, interest rate, and operational risks, including business continuity risk, IT risk, information security, cyber-security, and data privacy risk, 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 BDO Unibank Group 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 BDO Unibank Group's business. The goal of the risk management process is to ensure rigorous adherence to the BDO Unibank Group'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.

In 2024, there was no significant change on the policies and process for managing the risk and the methods used to measure the risk of the BDO Unibank Group and the Parent Bank.

4.1 Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to repay depositors, to fulfill commitments to lend, or to meet any other liquidity commitments. The BDO Unibank Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (MCO) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a Liquidity Contingency Plan, to ensure adequate liquidity under both business-as-usual and stress conditions.

The analyses of the maturity groupings of resources, liabilities and off-book items as of December 31, 2024 and 2023 in accordance with account classification of the BSP are presented in the succeeding pages. The amounts disclosed in the maturity analysis are the contractual cash flows using the primary contractual maturities or behavioral assumptions on core levels (e.g., core deposit liabilities and core deposit substitutes with maturities within one year have been classified in the more than three years category), if the latter is more relevant for purposes of profiling the liquidity gap.

BDO Unibank Group

		2024				
		One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:						
Cash and other cash items	P	109,744	P -	P -	P -	P 109,744
Due from BSP and other banks		181,756	17,333	82,281	58,671	340,041
Trading and investment securities		112,439	66,574	164,087	533,008	876,108
Loans and other receivables - net		696,608	383,062	687,332	1,505,516	3,272,518
Investment securities and other assets for life insurance contracts - net		2,914	5,545	12,153	101,299	121,911
Other resources - net*		9,184	2	3	146,539	155,728
Total Resources		1,112,645	472,516	945,856	2,345,033	4,876,050
Liabilities and Equity:						
Deposit liabilities		1,188,587	203,537	1,351,615	1,050,288	3,794,027
Bills payable		28,600	122,430	104,107	6,333	261,470
Insurance contract and other liabilities for life insurance contracts**		1,278	407	(2,326)	92,112	91,471
Other liabilities		70,347	1,834	1,909	77,597	151,687
Total Liabilities		1,288,812	328,208	1,455,305	1,226,330	4,298,655
Equity		-	-	-	577,395	577,395
Total Liabilities and Equity		1,288,812	328,208	1,455,305	1,803,725	4,876,050
On-book gap (Balance carried forward)	(P	176,167)	P 144,308	(P 509,449)	P 541,308	P -

BDO Unibank Group

	2024				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
On-book gap (Balance brought forward)	(P 176,167)	P 144,308	(P 509,449)	P 541,308	P -
Cumulative on-book gap	(176,167)	(31,859)	(541,308)	-	-
Contingent assets	465,296	69,102	32,440	19,804	586,642
Contingent liabilities	512,737	75,437	32,375	22,091	642,640
Off-book gap	(47,441)	(6,335)	65	(2,287)	(55,998)
Net Periodic Gap	(223,608)	137,973	(509,384)	539,021	55,998
Cumulative Total Gap	(P 223,608)	(P 85,635)	(P 595,019)	(P 55,998)	P -

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

** Insurance contract and other liabilities for life insurance contracts with more than one year to three years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

	2023				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 94,278	P -	P -	P -	P 94,278
Due from BSP and other banks	219,221	18,098	106,415	77,316	421,050
Trading and investment securities	132,187	71,064	118,646	502,910	824,807
Loans and other receivables - net	571,072	339,043	613,716	1,358,114	2,881,945
Investment securities and other assets for life insurance contracts - net	3,993	7,256	12,131	92,221	115,601
Other resources - net*	3,123	1	3	136,853	139,980
Total Resources	1,023,874	435,462	850,911	2,167,414	4,477,661
Liabilities and Equity:					
Deposit liabilities	1,075,259	174,678	1,300,373	1,017,240	3,567,550
Bills payable	46,576	32,008	104,880	6,118	189,582
Insurance contract and other liabilities					
life insurance contracts**	2,369	(405)	1,199	79,358	82,521
Other liabilities	46,917	354	1,845	70,338	119,454
Total Liabilities	1,171,121	206,635	1,408,297	1,173,054	3,959,107
Equity	-	-	-	518,554	518,554
Total Liabilities and Equity	1,171,121	206,635	1,408,297	1,691,608	4,477,661
On-book gap	(147,247)	228,827	(557,386)	475,806	-
Cumulative on-book gap	(147,247)	81,580	(475,806)	-	-
Contingent assets	328,348	67,910	26,231	17,346	439,835
Contingent liabilities	413,073	69,394	28,686	17,311	528,464
Off-book gap	(84,725)	(1,484)	(2,455)	35	(88,629)
Net Periodic Gap	(231,972)	227,343	(559,841)	475,841	88,629
Cumulative Total Gap	(P 231,972)	(P 4,629)	(P 564,470)	(P 88,629)	P -

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

** Insurance contract and other liabilities for life insurance contracts with maturity of more than three months to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Parent Bank

		2024				
		One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:						
Cash and other cash items	P	105,767	P -	P -	P -	P 105,767
Due from BSP and other banks		168,824	14,857	82,281	58,364	324,326
Trading and investment securities		108,863	63,829	152,708	514,588	839,988
Loans and other receivables – net		699,868	357,374	644,424	1,467,091	3,168,757
Other resources – net*		-	-	-	202,360	202,360
Total Resources		<u>1,083,322</u>	<u>436,060</u>	<u>879,413</u>	<u>2,242,403</u>	<u>4,641,198</u>
Liabilities and Equity:						
Deposit liabilities		1,154,745	202,915	1,351,427	976,965	3,686,052
Bills payable		31,499	111,142	91,862	5,785	240,288
Other liabilities		<u>50,917</u>	<u>1,565</u>	<u>-</u>	<u>87,061</u>	<u>139,543</u>
Total Liabilities		1,237,161	315,622	1,443,289	1,069,811	4,065,883
Equity		-	-	-	575,315	575,315
Total Liabilities and Equity		<u>1,237,161</u>	<u>315,622</u>	<u>1,443,289</u>	<u>1,645,126</u>	<u>4,641,198</u>
On-book gap		(153,839)	120,438	(563,876)	597,277	-
Cumulative on-book gap		(153,839)	(33,401)	(597,277)	-	-
Contingent assets		454,069	59,596	2,194	2,135	517,994
Contingent liabilities		<u>501,492</u>	<u>66,116</u>	<u>2,224</u>	<u>2,143</u>	<u>571,975</u>
Off-book gap		(47,423)	(6,520)	(30)	(8)	(53,981)
Net Periodic Gap		(201,262)	113,918	(563,906)	597,269	53,981
Cumulative Total Gap		(P 201,262)	(P 87,344)	(P 651,250)	(P 53,981)	P -

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

		2023				
		One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:						
Cash and other cash items	P	91,635	P -	P -	P -	P 91,635
Due from BSP and other banks		212,083	14,983	106,413	75,740	409,219
Trading and investment securities		128,210	66,734	113,451	479,296	787,691
Loans and other receivables – net		567,671	320,813	575,731	1,345,332	2,809,547
Other resources – net*		-	-	-	164,555	164,555
Total Resources		<u>999,599</u>	<u>402,530</u>	<u>795,595</u>	<u>2,064,923</u>	<u>4,262,647</u>
Liabilities and Equity:						
Deposit liabilities		1,055,779	173,870	1,299,973	947,245	3,476,867
Bills payable		23,379	26,278	115,771	2,560	167,988
Other liabilities		<u>38,157</u>	<u>-</u>	<u>344</u>	<u>69,094</u>	<u>107,595</u>
Total Liabilities		1,117,315	200,148	1,416,088	1,018,899	3,752,450
Equity		-	-	-	510,197	510,197
Total Liabilities and Equity		<u>1,117,315</u>	<u>200,148</u>	<u>1,416,088</u>	<u>1,529,096</u>	<u>4,262,647</u>
On-book gap		(P 117,716)	P 202,382	(P 620,493)	P 535,827	P -
(Balance carried forward)						

Parent Bank

	2023				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
On-book gap (Balance brought forward)	(P 117,716)	P 202,382	(P 620,493)	P 535,827	P -
Cumulative on-book gap	(117,716)	84,666	(535,827)	-	-
Contingent assets	289,716	43,534	2,469	1,053	336,772
Contingent liabilities	374,683	45,129	5,045	1,051	425,908
Off-book gap	(84,967)	(1,595)	(2,576)	2	(89,136)
Net Periodic Gap	(202,683)	200,787	(623,069)	535,829	89,136
Cumulative Total Gap	(P 202,683)	(P 1,896)	(P 624,965)	(P 89,136)	P -

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

The negative liquidity gap in the MCO is due to the timing difference in the contractual maturities of resources and liabilities. The MCO measures the maximum funding requirement the BDO Unibank Group may need to support its maturing obligations. To ensure that the BDO Unibank Group maintains a prudent and manageable level of cumulative negative gap, the BDO Unibank Group maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the BDO Unibank Group's overall appetite for liquidity risk exposure.

This limit is reviewed every year. Compliance to MCO Limits is monitored and reported to the BOD and senior management.

In case of breach in the MCO Limit, the RMG elevates the concern to the BOD through the RMC for corrective action by senior management. Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis. More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

Pursuant to applicable BSP regulations, the BDO Unibank Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the BDO Unibank Group demand deposit accounts with the BSP. The BSP also requires the BDO Unibank Group to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.1.1 Liquidity Risk Stress

To augment the effectiveness of the BDO Unibank Group's gap analysis, the BDO Unibank Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the BDO Unibank Group are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to RMC.

4.1.2 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described in this section also apply to the management of any foreign currency to which the BDO Unibank Group maintains significant exposure. Specifically, the BDO Unibank Group ensures that its measurement, monitoring and control systems account for these exposures as well. The BDO Unibank Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The BDO Unibank Group also assesses its access to foreign exchange markets when setting up its risk limits.

4.2 Market Risk

The BDO Unibank Group'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, equity securities and derivatives. The BDO Unibank Group manages its risk by identifying, analyzing and measuring relevant or likely market risks. The Market and Liquidity Risk Management Unit of the Parent Bank recommends market risk limits based on relevant activity indicators for approval by BDO Unibank Group's RMC and the BOD.

4.2.1 Foreign Exchange Risk

The BDO Unibank Group 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 BDO Unibank Group's net foreign exchange exposure is computed as its foreign currency resources less foreign currency liabilities. BSP regulations impose a cap of 25% of qualifying capital or US\$150 million, whichever is lower, on a bank's consolidated net open foreign exchange position. The BDO Unibank Group's foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange in BDO Unibank Group's branches as well as foreign exchange trading with corporate accounts and other financial institutions. The BDO Unibank Group, being a major market participant in the Philippine Dealing System, may engage in proprietary trading to take advantage of foreign exchange fluctuations.

The BDO Unibank Group's foreign exchange exposure at end-of-day is guided by the limits set forth in BDO Unibank Group's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, BDO Unibank Group reports to the BSP on its compliance with the mandated foreign currency exposure limits. In addition, it also reports to the BSP on the respective foreign currency positions of its subsidiaries. The breakdown of the financial assets and financial liabilities as to foreign and peso-denominated balances as of December 31, 2024 and 2023 is as follows.

BDO Unibank Group

	2024			2023		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items and due from BSP	P 112	P 359,225	P 359,337	P 58	P 429,296	P 429,354
Due from other banks	83,859	6,589	90,448	79,790	6,184	85,974
Trading and investment securities:						
At FVTPL	7,440	20,489	27,929	3,717	11,032	14,749
At FVOCI	124,185	148,040	272,225	94,236	142,342	236,578
At amortized cost	188,376	387,578	575,954	207,053	366,427	573,480
Investment securities and other assets for life insurance contracts - net	9,824	107,818	117,642	9,014	102,148	111,162
Loans and other receivables	325,754	2,946,764	3,272,518	309,951	2,571,994	2,881,945
Other resources	10,322	1,481	11,803	9,023	5,938	14,961
	<u>P 749,872</u>	<u>P 3,977,984</u>	<u>P 4,727,856</u>	<u>P 712,842</u>	<u>P 3,635,361</u>	<u>P 4,348,203</u>

BDO Unibank Group

	2024			2023		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Liabilities:						
Deposit liabilities	P 474,428	P 3,319,599	P 3,794,027	P 484,860	P 3,082,690	P 3,567,550
Bills payable	121,451	140,019	261,470	115,768	73,814	189,582
Insurance contract and other liabilities for life insurance contracts	8,316	82,699	91,015	8,227	73,828	82,055
Other liabilities	14,761	125,028	139,789	12,369	97,558	109,927
	<u>P 618,956</u>	<u>P 3,667,345</u>	<u>P 4,286,301</u>	<u>P 621,224</u>	<u>P 3,327,890</u>	<u>P 3,949,114</u>

Parent Bank

	2024			2023		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items and due from BSP	P 62	P 352,520	P 352,582	P 54	P 424,009	P 424,063
Due from other banks	77,090	421	77,511	76,514	277	76,791
Trading and investment securities:						
At FVTPL	6,047	15,927	21,974	2,711	5,758	8,469
At FVOCI	122,742	139,147	261,889	93,096	131,483	224,579
At amortized cost	183,854	372,271	556,125	201,824	352,819	554,643
Loans and other receivables	325,115	2,843,642	3,168,757	309,287	2,500,260	2,809,547
Other resources	10,300	1,162	11,462	8,988	1,100	10,088
	<u>P 725,210</u>	<u>P 3,725,090</u>	<u>P 4,450,300</u>	<u>P 692,474</u>	<u>P 3,415,706</u>	<u>P 4,108,180</u>
Liabilities:						
Deposit liabilities	P 465,240	P 3,220,812	P 3,686,052	P 475,751	P 3,001,116	P 3,476,867
Bills payable	120,720	119,568	240,288	115,088	52,900	167,988
Other liabilities	14,490	114,556	129,046	12,055	87,454	99,509
	<u>P 600,450</u>	<u>P 3,454,936</u>	<u>P 4,055,386</u>	<u>P 602,894</u>	<u>P 3,141,470</u>	<u>P 3,744,364</u>

4.2.2 Interest Rate Risk

The BDO Unibank Group 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 re-pricing 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 behavioral 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 rate 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 BDO Unibank Group 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. There are however, no outstanding interest rate derivatives used as hedges in the Banking Book.

The analyses of the groupings of resources, liabilities and off-book items as of December 31, 2024 and 2023 based on the expected interest realization or recognition are shown below and in the succeeding pages.

BDO Unibank Group

	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:						
Cash and other cash items	P -	P -	P -	P -	P 109,744	P 109,744
Due from BSP and other banks	23,560	2,476	-	-	314,005	340,041
Trading and investment securities	93,212	66,782	384,359	303,826	27,929	876,108
Loans and other receivables – net	1,709,633	515,177	934,694	122,546	(9,532)	3,272,518
Investment securities and other assets for life insurance contracts – net	1,494	4,514	22,326	49,552	44,025	121,911
Other resources – net*	-	2	3	-	155,723	155,728
Total Resources	<u>1,827,899</u>	<u>588,951</u>	<u>1,341,382</u>	<u>475,924</u>	<u>641,894</u>	<u>4,876,050</u>
Liabilities and Equity:						
Deposit liabilities	1,533,289	228,105	13,091	383	2,019,159	3,794,027
Bills payable	80,624	85,412	95,434	-	-	261,470
Insurance contract and other liabilities for life insurance contracts**	2,556	(3,893)	(2,242)	64,880	30,170	91,471
Other liabilities	-	200	1,317	2,508	147,662	151,687
Total Liabilities	<u>1,616,469</u>	<u>309,824</u>	<u>107,600</u>	<u>67,771</u>	<u>2,196,991</u>	<u>4,298,655</u>
Equity	-	-	-	-	577,395	577,395
Total Liabilities and Equity	<u>1,616,469</u>	<u>309,824</u>	<u>107,600</u>	<u>67,771</u>	<u>2,774,386</u>	<u>4,876,050</u>
On-book gap	<u>211,430</u>	<u>279,127</u>	<u>1,233,782</u>	<u>408,153</u>	<u>(2,132,492)</u>	<u>-</u>
Cumulative on-book gap	<u>211,430</u>	<u>490,557</u>	<u>1,724,339</u>	<u>2,132,492</u>	<u>-</u>	<u>-</u>
Contingent assets	62,007	292	-	-	-	62,299
Contingent liabilities	37,183	-	24,584	-	-	61,767
Off-book gap	<u>24,824</u>	<u>292</u>	<u>(24,584)</u>	<u>-</u>	<u>-</u>	<u>532</u>
Net Periodic Gap	<u>236,254</u>	<u>279,419</u>	<u>1,209,198</u>	<u>408,153</u>	<u>(2,132,492)</u>	<u>(532)</u>
Cumulative Total Gap	<u>P 236,254</u>	<u>P 515,673</u>	<u>P 1,724,871</u>	<u>P 2,133,024</u>	<u>P 532</u>	<u>P -</u>

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

** Insurance Contract and Other Liabilities for Life Insurance Contracts with maturities of more than three months to one year and more than one year to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

BDO Unibank Group

		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:							
Cash and other cash items	P	-	P -	P -	P -	P 94,278	P 94,278
Due from BSP and other banks		64,132	3,103	-	-	353,815	421,050
Trading and investment securities		124,282	71,063	325,604	290,762	13,096	824,807
Loans and other receivables – net		1,392,152	440,434	949,395	101,493	(1,529)	2,881,945
Investment securities and other assets for life insurance contracts – net		1,874	4,805	11,079	57,750	40,093	115,601
Other resources – net*		-	-	-	-	139,980	139,980
Total Resources		<u>1,582,440</u>	<u>519,405</u>	<u>1,286,078</u>	<u>450,005</u>	<u>639,733</u>	<u>4,477,661</u>
Liabilities and Equity:							
Deposit liabilities		1,409,286	198,505	28,293	450	1,931,016	3,567,550
Bills payable		80,393	14,832	88,821	5,536	-	189,582
Insurance contract and other liabilities for life insurance contracts**	(	1,171)	(2,912)	(2,568)	52,525	36,647	82,521
Other liabilities		-	211	959	2,489	115,795	119,454
Total Liabilities		<u>1,488,508</u>	<u>210,636</u>	<u>115,505</u>	<u>61,000</u>	<u>2,083,458</u>	<u>3,959,107</u>
Equity		-	-	-	-	518,554	518,554
Total Liabilities and Equity		<u>1,488,508</u>	<u>210,636</u>	<u>115,505</u>	<u>61,000</u>	<u>2,602,012</u>	<u>4,477,661</u>
On-book gap		<u>93,932</u>	<u>308,769</u>	<u>1,170,573</u>	<u>389,005</u>	<u>(1,962,279)</u>	<u>-</u>
Cumulative on-book gap		<u>93,932</u>	<u>402,701</u>	<u>1,573,274</u>	<u>1,962,279</u>	<u>-</u>	<u>-</u>
Contingent assets		30,906	5,550	355	-	-	36,811
Contingent liabilities		<u>27,727</u>	<u>277</u>	<u>8,383</u>	<u>-</u>	<u>-</u>	<u>36,387</u>
Off-book gap		<u>3,179</u>	<u>5,273</u>	<u>(8,028)</u>	<u>-</u>	<u>-</u>	<u>424</u>
Net Periodic Gap		<u>97,111</u>	<u>314,042</u>	<u>1,162,545</u>	<u>389,005</u>	<u>(1,962,279)</u>	<u>(424)</u>
Cumulative Total Gap	P	<u>97,111</u>	<u>411,153</u>	<u>1,573,698</u>	<u>1,962,703</u>	<u>424</u>	<u>-</u>

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

** Insurance Contract and Other Liabilities for Life Insurance Contracts with maturities of one to three months, more than three months to one year and more than one year to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Parent Bank

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:						
Cash and other cash items	P -	P -	P -	P -	P 105,767	P 105,767
Due from BSP and other banks	45,000	-	-	-	279,326	324,326
Trading and investment securities	91,586	63,829	369,183	293,415	21,975	839,988
Loans and other receivables - net	1,707,596	504,686	852,816	103,659	-	3,168,757
Other resources - net*	-	-	-	-	202,360	202,360
Total Resources	<u>1,844,182</u>	<u>568,515</u>	<u>1,221,999</u>	<u>397,074</u>	<u>609,428</u>	<u>4,641,198</u>
Liabilities and Equity:						
Deposit liabilities	1,502,972	224,217	17,189	374	1,941,300	3,686,052
Bills payable	68,513	74,125	97,650	-	-	240,288
Other liabilities	-	-	-	-	139,543	139,543
Total Liabilities	1,571,485	298,342	114,839	374	2,080,843	4,065,883
Equity	-	-	-	-	575,315	575,315
Total Liabilities and Equity	<u>1,571,485</u>	<u>298,342</u>	<u>114,839</u>	<u>374</u>	<u>2,656,158</u>	<u>4,641,198</u>
On-book gap	<u>272,697</u>	<u>270,173</u>	<u>1,107,160</u>	<u>396,700</u>	(2,046,730)	-
Cumulative on-book gap	<u>272,697</u>	<u>542,870</u>	<u>1,650,030</u>	<u>2,046,730</u>	-	-
Contingent assets	57,210	3,447	-	-	-	60,657
Contingent liabilities	56,700	3,447	-	-	-	60,147
Off-book gap	510	-	-	-	-	510
Net Periodic Gap	<u>273,207</u>	<u>270,173</u>	<u>1,107,160</u>	<u>396,700</u>	(2,046,730)	(510)
Cumulative Total Gap	<u>P 273,207</u>	<u>P 543,380</u>	<u>P 1,650,540</u>	<u>P 2,047,240</u>	<u>P 510</u>	<u>P -</u>

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

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:						
Cash and other cash items	P -	P -	P -	P -	P 91,635	P 91,635
Due from BSP and other banks	58,963	-	-	-	350,256	409,219
Trading and investment securities	121,949	66,734	297,562	292,977	8,469	787,691
Loans and other receivables - net	1,390,145	431,677	879,690	108,035	-	2,809,547
Other resources - net*	-	-	-	-	164,555	164,555
Total Resources	<u>P 1,571,057</u>	<u>P 498,411</u>	<u>P 1,177,252</u>	<u>P 401,012</u>	<u>P 614,915</u>	<u>P 4,262,647</u>

Parent Bank

		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
Liabilities and Equity:						
Deposit liabilities	P 1,381,980	P 194,465	P 26,424	P 5,980	P 1,868,018	P 3,476,867
Bills payable	57,712	9,667	94,174	6,435	-	167,988
Other liabilities	-	-	-	-	107,595	107,595
Total Liabilities	1,439,692	204,132	120,598	12,415	1,975,613	3,752,450
Equity	-	-	-	-	510,197	510,197
Total Liabilities and Equity	1,439,692	204,132	120,598	12,415	2,485,810	4,262,647
On-book gap	131,365	294,279	1,056,654	388,597	(1,870,895)	-
Cumulative on-book gap	131,365	425,644	1,482,298	1,870,895	-	-
Contingent assets	26,948	7,466	-	-	-	34,414
Contingent liabilities	26,655	7,345	-	-	-	34,000
Off-book gap	293	121	-	-	-	414
Net Periodic Gap	131,658	294,400	1,056,654	388,597	(1,870,895)	(414)
Cumulative Total Gap	P 131,658	P 426,058	P 1,482,712	P 1,871,309	P 414	P -

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

The BDO Unibank Group and the Parent 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 BDO Unibank Group and the Parent Bank use the VaR model to estimate the daily potential loss that the BDO Unibank Group and the Parent 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 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 BDO Unibank Group and Parent 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 BDO Unibank Group and the Parent Bank use a 99% confidence level and a 260-day observation period in VaR calculation. The BDO Unibank Group and the Parent 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 BDO Unibank Group and the Parent 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. 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 BDO Unibank Group and the Parent Bank use a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the BDO Unibank Group and the Parent 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 trading portfolios at December 31 follows:

	2024		2023	
	<u>VaR</u>	<u>Stress VaR</u>	<u>VaR</u>	<u>Stress VaR</u>
<u>BDO Unibank Group</u>				
Foreign currency risk	(P 20)	(P 261)	(P 12)	(P 128)
Interest rate risk – Peso	(38)	(992)	(124)	(2,217)
Interest rate risk – USD	(11)	(182)	(10)	(200)
	<u>(P 69)</u>	<u>(P 1,435)</u>	<u>(P 146)</u>	<u>(P 2,545)</u>
<u>Parent Bank</u>				
Foreign currency risk	(P 20)	(P 258)	(P 12)	(P 126)
Interest rate risk – Peso	(37)	(948)	(53)	(1,052)
Interest rate risk – USD	(9)	(160)	(3)	(48)
	<u>(P 66)</u>	<u>(P 1,366)</u>	<u>(P 68)</u>	<u>(P 1,226)</u>

For the BDO Unibank Group, 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” assumption 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 for VaR. The volatility calculations make use of actual pre-defined time series data, using five-years' worth of yearly changes, at the 99% confidence level. The frequency of measurement for EAR is monthly. EAR Stress Test uses 300 basis points increase in USD interest rates and 400 basis points 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 in the succeeding pages.

BDO Unibank Group

2024			
Change in Interest Rates (in basis points)			
-100	+100	-50	+50
Change on annualized net interest income	(P 3,063) P 3,063	(P 1,532) P 1,532	
As a percentage of the BDO Unibank Group's net interest income	(1.64%) 1.64%	(0.82%) 0.82%	
EAR	P 22,690		
As a percentage of the BDO Unibank Group's net interest income	12.16%		
Average (1yr) EAR	P 17,867		
Average (1yr) Stress EAR	P 21,335		

2023			
Change in Interest Rates (in basis points)			
-100	+100	-50	+50
Change on annualized net interest income	(P 1,681) P 1,681	(P 840) P 840	
As a percentage of the BDO Unibank Group's net interest income	(0.90%) 0.90%	(0.45%) 0.45%	
EAR	P 16,394		
As a percentage of the BDO Unibank Group's net interest income	8.80%		
Average (1yr) EAR	P 16,426		
Average (1yr) Stress EAR	P 19,249		

Parent Bank

2024			
Change in Interest Rates (in basis points)			
-100	+100	-50	+50
Change on annualized net interest income	(P 3,301) P 3,301	(P 1,650) P 1,650	
As a percentage of the Parent Bank's net interest income	(1.85%) 1.85%	(0.92%) 0.92%	
EAR	P 23,047		
As a percentage of the Parent Bank's net interest income	12.89%		
Average (1yr) EAR	P 18,067		
Average (1yr) Stress EAR	P 28,228		

Parent Bank

	2023			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	(P 1,974)	P 1,974	(P 987)	P 987
As a percentage of the Parent Bank's net interest income	(1.13%)	1.13%	(0.56%)	0.56%
EAR	P 17,100			
As a percentage of the Parent Bank's net interest income	9.80%			
Average (1yr) EAR	P 16,852			
Average (1yr) Stress EAR	P 21,649			

4.2.3 Price Risk

The BDO Unibank Group and the Parent Bank are exposed to equity securities price risk because of investments in equity securities held by the BDO Unibank Group and the Parent Bank classified on the statement of financial position either as financial assets at FVOCI or financial assets at FVTPL. The BDO Unibank Group and the Parent Bank are not exposed to commodity price risk. To manage its price risk arising from investments in listed equity securities, the BDO Unibank Group maintains a diversified portfolio. Diversification of the portfolio is done in accordance with the limits set by the BDO Unibank Group.

The table below summarizes the impact of equity prices on listed equity securities classified as financial assets at FVTPL and financial assets at FVOCI on BDO Unibank Group and Parent Bank's net profit after tax and equity as of December 31, 2024 and 2023. The results are based on the volatility assumption of the benchmark equity index, which was 2.58% and 2.31% in 2024 and 2023, respectively, for securities classified as financial assets at FVTPL and FVOCI securities with all other variables held constant and all the BDO Unibank Group and the Parent Bank's equity instruments moved according to the historical correlation with the index.

	Impact on Net Profit After Tax			Impact on Other Comprehensive Income		
	Increase			Increase		
	2024	2023	2022	2024	2023	2022
BDO Unibank Group						
Financial assets at FVTPL	P 284	P 609	P 1,054	P -	P -	P -
Financial assets at FVOCI	-	-	-	340	114	158
	<u>P 284</u>	<u>P 609</u>	<u>P 1,054</u>	<u>P 340</u>	<u>P 114</u>	<u>P 158</u>
Parent Bank						
Financial assets at FVOCI	P -	P -	P -	P 12	P 36	P 25

4.3 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the BDO Unibank Group. RMG undertakes several functions with respect to credit risk management including credit analysis, risk ratings for corporate accounts, and development and performance monitoring of credit risk rating and scoring models for both corporate and consumer loans. It also ensures that BDO Unibank Group's credit policies and procedures are adequate to meet the demands of the business.

RMG also subjects the loan portfolio to a regular portfolio quality review, credit portfolio stress testing and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

BDO Unibank Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits is secured from the Credit Committee. On the industry segments, set limits and exposures are monitored and reported to the RMC.

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 obtaining collateral or corporate and personal guarantees.

4.3.1 Credit Risk Assessment

Loan classification and credit risk rating are an integral part of the BDO Unibank Group'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 BDO Unibank Group's definition of its loan classification and corresponding credit risk ratings are as follows:

• Pass/Current	:	Grades AAA to B
• Watchlisted	:	Grade B-
• 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) Pass/Current

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.

(c) *Adversely Classified*

Past due or individually impaired financial assets comprise accounts under the following loan classification:

(i) *Especially Mentioned (EM)*

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.

(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, credit portfolio review is another integral part of the BDO Unibank Group’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 BDO Unibank Group using internal credit ratings.

4.3.2 Credit Quality Analysis

This section sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated for financial assets, the amounts represent gross carrying amounts. For loan commitments and other contingent accounts, the amounts in the table, represent the amounts committed. As of December 31, 2024 and 2023, there are no POCI financial assets in both BDO Unibank Group and Parent Bank's financial statements.

The following tables show the exposure to credit risk as of December 31, 2024 and 2023 for each internal risk grade and the related allowance for ECL:

BDO Unibank Group

		2024			
		Stage 1	Stage 2	Stage 3	Total
Due from Other Banks					
Grades AAA to B : Pass/Current	P	90,485	P -	P -	P 90,485
ECL allowance	(	37)	-	-	(37)
Carrying amount	<u>P</u>	<u>90,448</u>	<u>P -</u>	<u>P -</u>	<u>P 90,448</u>
Receivables from customers - corporate					
Grades AAA to B : Pass/Current	P	2,370,326	P -	P -	P 2,370,326
Grade B : Watchlisted		25	6,673	312	7,010
Grade C : EM	-		28,697	1,995	30,692
Grade D : Substandard	-		17,067	5,744	22,811
Grade E : Doubtful	-		-	8,390	8,390
Grade F : Loss	-		-	2,883	2,883
		<u>2,370,351</u>	<u>52,437</u>	<u>19,324</u>	<u>2,442,112</u>
ECL allowance	(	6,174)	(32,673)	(15,379)	(54,226)
Carrying amount	<u>P</u>	<u>2,364,177</u>	<u>P 19,764</u>	<u>P 3,945</u>	<u>P 2,387,886</u>
Receivables from customers - consumer					
Grades AAA to B : Pass/Current	P	737,400	P -	P 105	P 737,505
Grade B : Watchlisted	-		174	7	181
Grade C : EM	8		1,629	22	1,659
Grade D : Substandard	-		2,881	4,883	7,764
Grade E : Doubtful	-		-	6,841	6,841
Grade F : Loss	-		-	29,168	29,168
		<u>737,408</u>	<u>4,684</u>	<u>41,026</u>	<u>783,118</u>
ECL allowance	(	10,594)	(1,897)	(22,380)	(34,871)
Carrying amount	<u>P</u>	<u>726,814</u>	<u>P 2,787</u>	<u>P 18,646</u>	<u>P 748,247</u>
Other receivables					
Grades AAA to B : Pass/Current	P	134,595	P -	P -	P 134,595
Grade D : Substandard		54	211	897	1,162
Grade E : Doubtful		556	446	482	1,484
Grade F : Loss		25	-	2,113	2,138
		<u>135,230</u>	<u>657</u>	<u>3,492</u>	<u>139,379</u>
ECL allowance	(	523)	(55)	(2,416)	(2,994)
Carrying amount	<u>P</u>	<u>134,707</u>	<u>P 602</u>	<u>P 1,076</u>	<u>P 136,385</u>
Debt investment securities at amortized cost					
Grades AAA to B : Pass/Current	P	576,083	P -	P -	P 576,083
Grade E : Doubtful	-		-	1,656	1,656
Grade F : Loss	-		60	267	327
		<u>576,083</u>	<u>60</u>	<u>1,923</u>	<u>578,066</u>
ECL allowance	(	129)	(60)	(1,923)	(2,112)
Carrying amount	<u>P</u>	<u>575,954</u>	<u>P -</u>	<u>P -</u>	<u>P 575,954</u>

BDO Unibank Group

		2024			
		Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI					
Grades AAA to B : Pass/Current	P	270,029	P -	P -	P 270,029
Grade E : Doubtful		-	-	119	119
		<u>270,029</u>	<u>-</u>	<u>119</u>	<u>270,148</u>
ECL allowance		-	-	(4)	(4)
Carrying amount	P	<u>270,029</u>	<u>-</u>	<u>115</u>	<u>270,144</u>
Investment securities and other assets for life insurance contracts					
Grades AAA to B : Pass/Current	P	74,799	P -	P -	P 74,799
Grade C : EM		-	27	-	27
Grade D : Substandard		-	-	21	21
Grade E : Doubtful		-	-	74	74
Grade F : Loss		-	-	166	166
		<u>74,799</u>	<u>27</u>	<u>261</u>	<u>75,087</u>
ECL allowance	(	<u>11</u>)	(2)	(33)	(46)
Carrying amount	P	<u>74,788</u>	<u>25</u>	<u>228</u>	<u>75,041</u>
Loan commitments and other contingent accounts					
Grades AAA to B : Pass/Current	P	736,794	P -	P -	P 736,794
Grade B : Watchlisted		-	-	-	-
Grade C : EM		-	347	-	347
Grade D : Substandard		-	-	-	-
		<u>736,794</u>	<u>347</u>	<u>-</u>	<u>737,141</u>
ECL allowance	(	<u>89</u>)	(29)	-	(118)
Carrying amount	P	<u>736,705</u>	<u>318</u>	<u>-</u>	<u>737,023</u>
		2023			
		Stage 1	Stage 2	Stage 3	Total
Due from Other Banks					
Grades AAA to B : Pass/Current	P	86,032	P -	P -	P 86,032
ECL allowance	(	<u>58</u>)	-	-	(58)
Carrying amount	P	<u>85,974</u>	<u>-</u>	<u>-</u>	<u>85,974</u>
Receivables from customers - corporate					
Grades AAA to B : Pass/Current	P	2,101,888	P -	P -	P 2,101,888
Grade B : Watchlisted		9	8,773	143	8,925
Grade C : EM		51	40,554	1,462	42,067
Grade D : Substandard		-	13,562	5,580	19,142
Grade E : Doubtful		-	-	7,673	7,673
Grade F : Loss		-	-	3,781	3,781
		<u>2,101,948</u>	<u>62,889</u>	<u>18,639</u>	<u>2,183,476</u>
ECL allowance	(	<u>6,248</u>)	(33,106)	(15,640)	(54,994)
Carrying amount	P	<u>2,095,700</u>	<u>29,783</u>	<u>2,999</u>	<u>2,128,482</u>
Receivables from customers - consumer					
Grades AAA to B : Pass/Current	P	627,269	P -	P 77	P 627,346
Grade B : Watchlisted		-	8	3	11
Grade C : EM		8	1,393	46	1,447
Grade D : Substandard		-	2,105	3,762	5,867
Grade E : Doubtful		-	-	5,085	5,085
Grade F : Loss		-	2	25,563	25,565
		<u>627,277</u>	<u>3,508</u>	<u>34,536</u>	<u>665,321</u>
ECL allowance	(	<u>8,593</u>)	(874)	(18,642)	(28,109)
Carrying amount	P	<u>618,684</u>	<u>2,634</u>	<u>15,894</u>	<u>637,212</u>

BDO Unibank Group

		2023			
		Stage 1	Stage 2	Stage 3	Total
Other receivables					
Grades AAA to B	: Pass/Current	P 114,478	P -	P -	P 114,478
Grade C	: EM	-	11	-	11
Grade D	: Substandard	535	432	725	1,692
Grade E	: Doubtful	-	-	383	383
Grade F	: Loss	25	-	2,370	2,395
		115,038	443	3,478	118,959
ECL allowance		(238)	(42)	(2,428)	(2,708)
Carrying amount		<u>P 114,800</u>	<u>P 401</u>	<u>P 1,050</u>	<u>P 116,251</u>
Debt investment securities at amortized cost					
Grades AAA to B	: Pass/Current	P 573,704	P -	P -	P 573,704
Grade B	: Watchlisted	-	56	-	56
Grade E	: Doubtful	-	-	1,580	1,580
Grade F	: Loss	-	-	266	266
		573,704	56	1,846	575,606
ECL allowance		(231)	(49)	(1,846)	(2,126)
Carrying amount		<u>P 573,473</u>	<u>P 7</u>	<u>P -</u>	<u>P 573,480</u>
Debt investment securities at FVOCI					
Grades AAA to B	: Pass/Current	P 234,884	P -	P -	P 234,884
Grade B	: Watchlisted	-	15	-	15
Carrying amount		<u>P 234,884</u>	<u>P 15</u>	<u>P -</u>	<u>P 234,899</u>
Investment securities and other assets for life insurance contracts					
Grades AAA to B	: Pass/Current	P 75,337	P -	P -	P 75,337
Grade C	: EM	-	61	-	61
Grade D	: Substandard	-	-	26	26
Grade E	: Doubtful	-	-	41	41
Grade F	: Loss	-	-	136	136
		75,337	61	203	75,601
ECL allowance		(17)	(3)	(27)	(47)
Carrying amount		<u>P 75,320</u>	<u>P 58</u>	<u>P 176</u>	<u>P 75,554</u>
Loan commitments and other contingent accounts					
Grades AAA to B	: Pass/Current	P 606,864	P -	P -	P 606,864
Grade B	: Watchlisted	-	-	49	49
Grade C	: EM	-	1,052	-	1,052
Grade D	: Substandard	-	27	-	27
		606,864	1,079	49	607,992
ECL allowance		(176)	(27)	-	(203)
Carrying amount		<u>P 606,688</u>	<u>P 1,052</u>	<u>P 49</u>	<u>P 607,789</u>

The table below sets out the credit quality of trading debt securities of the BDO Unibank Group measured at FVTPL (see Note 10.1).

Grade:	2024	2023
AAA	P 16,502	P 6,039
AA+ to AA	847	550
BBB+ to BBB-	1,151	603
BB+ to BB-	-	255
	<u>P 18,500</u>	<u>P 7,447</u>

The table below shows an analysis of counterparty credit exposures arising from derivative transactions of the BDO Unibank Group. Outstanding derivative exposures to counterparties are generally with investment grade counterparty banks. Derivative transactions with non-bank counterparties are on a fully secured basis.

	Over-the-counter							
	Total		Exchange-traded		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 323,067	P 8,291	P 566	P 18	P 300,238	P 4,615	P 22,263	P 3,658
Derivative liabilities	264,772	6,361	566	13	240,591	3,077	23,615	3,271
2023								
Derivative assets	P 216,702	P 6,070	P 465	P 3	P 178,277	P 2,154	P 37,960	P 3,913
Derivative liabilities	230,684	5,139	465	3	191,980	1,856	38,239	3,280

As of December 31, 2024 and 2023, the BDO Unibank Group held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P449,785 and P515,328, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on external rating agencies.

Parent Bank

	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from Other Banks				
Grades AAA to B : Pass/Current	P 77,542	P -	P -	P 77,542
ECL allowance	(31)	-	-	(31)
Carrying amount	<u>P 77,511</u>	<u>P -</u>	<u>P -</u>	<u>P 77,511</u>
Receivables from customers - corporate				
Grades AAA to B : Pass/Current	P 2,362,363	P -	P -	P 2,362,363
Grade B : Watchlisted	-	6,673	312	6,985
Grade C : EM	-	28,675	1,995	30,670
Grade D : Substandard	-	17,045	5,744	22,789
Grade E : Doubtful	-	-	8,390	8,390
Grade F : Loss	-	-	2,878	2,878
	<u>2,362,363</u>	<u>52,393</u>	<u>19,319</u>	<u>2,434,075</u>
ECL allowance	(6,164)	(32,643)	(15,377)	(54,184)
Carrying amount	<u>P 2,356,199</u>	<u>P 19,750</u>	<u>P 3,942</u>	<u>P 2,379,891</u>
Receivables from customers - consumer				
Grades AAA to B : Pass/Current	P 645,474	P -	P -	P 645,474
Grade B : Watchlisted	-	174	7	181
Grade C : EM	-	1,590	-	1,590
Grade D : Substandard	-	2,415	4,855	7,270
Grade E : Doubtful	-	-	6,495	6,495
Grade F : Loss	-	-	26,330	26,330
	<u>645,474</u>	<u>4,179</u>	<u>37,687</u>	<u>687,340</u>
ECL allowance	(10,209)	(1,817)	(20,445)	(32,471)
Carrying amount	<u>P 635,265</u>	<u>P 2,362</u>	<u>P 17,242</u>	<u>P 654,869</u>
Other receivables				
Grades AAA to B : Pass/Current	P 132,756	P -	P -	P 132,756
Grade D : Substandard	53	77	490	620
Grade E : Doubtful	556	446	465	1,467
Grade F : Loss	-	-	1,913	1,913
	<u>133,365</u>	<u>523</u>	<u>2,868</u>	<u>136,756</u>
ECL allowance	(476)	(55)	(2,228)	(2,759)
Carrying amount	<u>P 132,889</u>	<u>P 468</u>	<u>P 640</u>	<u>P 133,997</u>

Parent Bank

		2024			
		Stage 1	Stage 2	Stage 3	Total
Debt investment securities at					
amortized cost					
Grades AAA to B : Pass/Current	P	556,251	P -	P -	P 556,251
Grade E : Doubtful		-	-	1,656	1,656
Grade F : Loss		-	60	267	327
		556,251	60	1,923	558,234
ECL allowance	(	126)	(60)	(1,923)	(2,109)
Carrying amount	P	556,125	P -	P -	P 556,125
Debt investment securities at FVOCI					
Grades AAA to B : Pass/Current	P	259,858	P -	P -	P 259,858
Grade E : Doubtful		-	-	119	119
		259,858	-	119	259,977
ECL allowance	(	-	-	4)	(4)
Carrying amount	P	259,858	P -	P 115	P 259,973
Loan commitments and other					
contingent accounts					
Grades AAA to B : Pass/Current	P	736,794	P -	P -	P 736,794
Grade C : EM		-	347	-	347
		736,794	347	-	737,141
ECL allowance	(	89)	(29)	-	(118)
Carrying amount	P	736,705	P 318	P -	P 737,023
		2023			
		Stage 1	Stage 2	Stage 3	Total
Due from Other Banks					
Grades AAA to B : Pass/Current	P	76,846	P -	P -	P 76,846
ECL allowance	(	55)	-	-	(55)
Carrying amount	P	76,791	P -	P -	P 76,791
Receivables from customers - corporate					
Grades AAA to B : Pass/Current	P	2,094,050	P -	P -	P 2,094,050
Grade B : Watchlisted		-	8,710	143	8,853
Grade C : EM		-	40,546	1,462	42,008
Grade D : Substandard		-	13,539	5,576	19,115
Grade E : Doubtful		-	-	7,673	7,673
Grade F : Loss		-	-	3,779	3,779
		2,094,050	62,795	18,633	2,175,478
ECL allowance	(	6,238)	(33,069)	(15,638)	(54,945)
Carrying amount	P	2,087,812	P 29,726	P 2,995	P 2,120,533
Receivables from customers - consumer					
Grades AAA to B : Pass/Current	P	565,228	P -	P -	P 565,228
Grade B : Watchlisted		-	8	3	11
Grade C : EM		-	1,390	-	1,390
Grade D : Substandard		-	1,723	3,738	5,461
Grade E : Doubtful		-	-	4,741	4,741
Grade F : Loss		-	-	23,171	23,171
		565,228	3,121	31,653	600,002
ECL allowance	(	8,099)	(733)	(17,025)	(25,857)
Carrying amount	P	557,129	P 2,388	P 14,628	P 574,145
Other receivables					
Grades AAA to B : Pass/Current	P	113,642	P -	P -	P 113,642
Grade D : Substandard		534	417	218	1,169
Grade E : Doubtful		-	-	351	351
Grade F : Loss		-	-	2,275	2,275
		114,176	417	2,844	117,437
ECL allowance	(	185)	(42)	(2,341)	(2,568)
Carrying amount	P	113,991	P 375	P 503	P 114,869

Parent Bank

		2023			
		Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost					
Grades AAA to B	: Pass/Current	P 554,856	P -	P -	P 554,856
Grade B	: Watchlisted	-	56	-	56
Grade E	: Doubtful	-	-	1,580	1,580
Grade F	: Loss	-	-	266	266
		554,856	56	1,846	556,758
ECL allowance		(220)	(49)	(1,846)	(2,115)
Carrying amount		<u>P 554,636</u>	<u>P 7</u>	<u>P -</u>	<u>P 554,643</u>
Debt investment securities at FVOCI					
Grades AAA to B	: Pass/Current	P 222,992	P -	P -	P 222,992
Grade B-	: Watchlisted	-	15	-	15
Carrying amount		<u>P 222,992</u>	<u>P 15</u>	<u>P -</u>	<u>P 223,007</u>
Loan commitments and other contingent accounts					
Grades AAA to B	: Pass/Current	P 606,864	P -	P -	P 606,864
Grade B	: Watchlisted	-	-	49	49
Grade C	: EM	-	1,052	-	1,052
Grade D	: Substandard	-	27	-	27
		606,864	1,079	49	607,992
ECL allowance		(176)	(27)	-	(203)
Carrying amount		<u>P 606,688</u>	<u>P 1,052</u>	<u>P 49</u>	<u>P 607,789</u>

The table below sets out the credit quality of trading debt securities of the Parent Bank measured at FVTPL (see Note 10.1).

Grade:	2024	2023
AAA	P 15,869	P 5,693
AA+ to AA	747	352
BBB+ to BBB-	724	184
BB+ to BB-	-	82
	<u>P 17,340</u>	<u>P 6,311</u>

The table below shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Parent Bank are generally fully collateralized by cash.

		Over-the-counter							
		Total		Exchange-traded		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	300,803	P 4,633	P 566	P 18	P 300,237	P 4,615	P -	P -
Derivative liabilities		241,157	3,090	566	13	240,591	3,077	-	-
2023									
Derivative assets	P	178,742	P 2,157	P 465	P 3	P 178,277	P 2,154	P -	P -
Derivative liabilities		192,445	1,859	465	3	191,980	1,856	-	-

As of December 31, 2024 and 2023, the Parent Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P430,093 and P500,854, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on external rating agencies.

4.3.3 Concentrations of Credit Risk

The BDO Unibank Group and the Parent Bank monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below and in the succeeding pages.

BDO Unibank Group

2024								
	<u>Cash and Cash Equivalents*</u>		<u>Receivables from Customers**</u>		<u>Trading Investments Securities***</u>		<u>Investment Securities and Other Assets for Life Insurance Contracts</u>	
Concentration by sector:								
Financial and insurance activities	P	547,752	P	256,720	P	240,478	P	6,392
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use		-		567,360		1		2,031
Electricity, gas, steam and air-conditioning supply		-		405,938		20,084		1,477
Real estate activities		1		410,256		7,659		1,604
Wholesale and retail trade		-		397,620		41	-	
Manufacturing		-		306,987		4,319		379
Information and communication		-		163,332		15,449		332
Transportation and storage		-		158,473		5,251		231
Construction		-		103,261		2,750	-	
Education		-		82,186	-			-
Arts, entertainment and recreation		-		82,198		1,025	-	
Water supply, sewerage waste management and remediation activities		-		52,768		515	-	
Accommodation and food service activities		-		45,403		6,938	-	
Human health and social work activities		-		39,406		2,460	-	
Agriculture, forestry and fishing		-		35,865	-		-	
Mining and quarrying		-		16,146		3,499	-	
Administrative and support services		-		10,226		1	-	
Professional, scientific and technical services		742		9,210		11,035	-	
Public administrative and defense; compulsory social security		-		1,069		176	-	
Activities of extraterritorial organizations and bodies		-		-		523,739	-	
Other service activities		315		80,806		26,040		69,639
	P	548,810	P	3,225,230	P	871,460	P	82,085
Concentration by location:								
Philippines	P	412,236	P	3,063,270	P	703,017	P	82,085
Foreign countries		136,574		161,960		168,443		-
	P	548,810	P	3,225,230	P	871,460	P	82,085

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.4).

**Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

***Trading and investment securities are reported as gross of allowance.

BDO Unibank Group

	2023							
	<u>Cash and Cash Equivalents*</u>		<u>Receivables from Customers**</u>		<u>Trading Investments Securities***</u>		<u>Investment Securities and Other Assets for Life Insurance Contracts</u>	
Concentration by sector:								
Financial and insurance activities	P	598,091	P	272,746	P	233,206	P	6,019
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use		-		453,579		-		2,569
Electricity, gas, steam and air-conditioning supply		-		369,626		4,122		1,486
Real estate activities		-		363,830		10,044		2,442
Wholesale and retail trade		-		356,962		114	-	
Manufacturing		-		282,334		13,493		385
Information and communication		-		120,710		5,592		2,200
Transportation and storage		-		111,991		4,252		330
Construction		-		96,994		2	-	
Education		-		74,033	-		-	
Arts, entertainment and recreation		-		72,606		1,000	-	
Water supply, sewerage waste management and remediation activities		-		46,112		541	-	
Accommodation and food service activities		-		41,499		213	-	
Human health and social work activities		-		34,431		1,533	-	
Agriculture, forestry and fishing		-		33,163		113	-	
Mining and quarrying		-		14,688		2,611	-	
Administrative and support services		-		10,056		1,171	-	
Professional, scientific and technical services		-		8,223		1,900	-	
Public administrative and defense; compulsory social security		-		1,159		6,563	-	
Activities of extraterritorial organizations and bodies		-		-		484,418	-	
Other service activities		<u>459</u>		<u>84,055</u>		<u>52,425</u>		<u>66,309</u>
	<u>P</u>	<u>598,550</u>	<u>P</u>	<u>2,848,797</u>	<u>P</u>	<u>823,313</u>	<u>P</u>	<u>81,740</u>
Concentration by location:								
Philippines	P	471,119	P	2,692,006	P	682,002	P	81,740
Foreign countries		<u>127,431</u>		<u>156,791</u>		<u>141,311</u>		<u>-</u>
	<u>P</u>	<u>598,550</u>	<u>P</u>	<u>2,848,797</u>	<u>P</u>	<u>823,313</u>	<u>P</u>	<u>81,740</u>

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.4).

**Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

***Trading and investment securities are reported as gross of allowance.

Parent Bank

	2024			2023		
	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	P 528,755	P 256,560	P 229,850	P 585,092	P 272,566	P 215,908
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	562,270	1	-	462,899	-
Electricity, gas, steam and air-conditioning supply	-	405,545	20,084	-	369,586	4,122
Real estate activities	-	411,703	7,053	-	365,008	9,174
Wholesale and retail trade	-	389,472	41	-	350,319	114
Manufacturing	-	305,351	4,085	-	280,839	13,146
Information and communication	-	163,187	15,081	-	120,497	5,255
Transportation and storage	-	158,348	5,151	-	112,117	4,252
Construction	-	101,743	2,750	-	95,384	2
Arts, entertainment and recreation	-	82,192	1,025	-	71,681	1,000
Water supply, sewerage waste management and remediation activities	-	52,696	515	-	46,006	541
Accommodation and food service activities	-	45,063	6,938	-	41,373	213
Human health and social work activities	-	39,174	2,460	-	34,238	1,533
Agriculture, forestry and fishing	-	15,428	-	-	18,358	113
Mining and quarrying	-	16,003	3,499	-	14,549	2,611
Administrative and support services	-	9,663	1	-	9,818	1,171
Education	-	8,899	-	-	9,496	-
Professional, scientific and technical services	742	9,127	11,036	-	8,150	1,900
Public administrative and defense; compulsory social security	-	1,002	177	-	1,147	6,564
Activities of extraterritorial organizations and bodies	-	-	523,739	-	-	483,905
Other service activities	-	87,989	4,200	-	91,449	36,001
	P 529,497	P 3,121,415	P 837,686	P 585,092	P 2,775,480	P 787,525
Concentration by location						
Philippines	P 395,425	P 2,959,455	P 673,423	P 459,261	P 2,618,689	P 649,726
Foreign countries	134,072	161,960	164,263	125,831	156,791	137,799
	P 529,497	P 3,121,415	P 837,686	P 585,092	P 2,775,480	P 787,525

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.4).

** Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

***Trading and investment securities are reported as gross of allowance.

4.3.4 Collateral Held as Security and Other Credit Enhancements

The BDO Unibank Group and the Parent Bank hold collateral against credit exposures from customers in the form of mortgage interests over property, other registered securities over assets, financial collateral including deposits, debt and equity securities, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated periodically. Collateral generally is not held over from due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity.

There is no significant change in 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.

Estimate of the fair value of collateral and other security enhancements held against the following credit exposures as of December 31, 2024 and 2023, as follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Receivable from customers:				
Corporate:				
Property	P 898,649	P 839,930	P 892,521	P 838,521
Equity securities	200,021	209,053	200,021	208,257
Hold-out deposits	9,271	7,814	9,271	7,206
Debt securities	84,218	27,930	84,218	27,340
Others	<u>102,780</u>	<u>98,301</u>	<u>102,435</u>	<u>98,186</u>
	<u>1,294,939</u>	<u>1,183,028</u>	<u>1,288,466</u>	<u>1,179,510</u>
Consumer:				
Property	718,446	628,009	716,026	617,266
Debt securities	46	71	46	71
Equity securities	1	7	1	7
Hold-out deposits	534	644	534	644
Others	<u>227,788</u>	<u>207,540</u>	<u>225,403</u>	<u>207,540</u>
	<u>946,815</u>	<u>836,271</u>	<u>942,010</u>	<u>825,528</u>
Other receivables:				
Property	2,496	2,754	2,496	2,754
Others	<u>25,000</u>	<u>25,362</u>	<u>25,000</u>	<u>24,963</u>
	<u>27,496</u>	<u>28,116</u>	<u>27,496</u>	<u>27,717</u>
Investment securities and other assets for life insurance contracts:				
Property	<u>5,437</u>	<u>6,397</u>	<u>-</u>	<u>-</u>
	<u>P 2,274,687</u>	<u>P 2,053,812</u>	<u>P 2,257,972</u>	<u>P 2,032,755</u>

The BDO Unibank Group and the Parent Bank have acquired certain properties in settlement of loan account amounting to P5,411 and P5,313, respectively, in 2024 and P3,502 and P3,445, respectively, in 2023 (see Notes 14 and 17.4).

The BDO Unibank Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place.

The general creditworthiness of a corporate and individual customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 4.3.2). However, collateral provides additional security and the BDO Unibank Group generally requests that corporate and individual borrowers provide it. The BDO Unibank Group may take collateral in the form of a first charge over real estate, floating charges over all corporate and individual assets and other liens and guarantees.

While the BDO Unibank Group is focused on corporate and individual customers' creditworthiness, it continuously and regularly updates the valuation of collateral held against all loans to corporate and individual customers. Most frequent updating, however, is required when the loan is put on a watch list and the loan is monitored more closely. The same applies to credit-impaired loans, as the BDO Unibank Group obtains appraisals or valuation of collateral to provide input into determining the management credit risk actions.

(a) *Receivable from Customers and Other Receivables*

The net carrying amount of credit impaired receivables (under stages 2 and 3) and the value of identifiable collateral held against those loans and advances as of December 31, 2024 and 2023 are as follows:

	2024		2023	
	Net Carrying Amount	Identifiable Collateral	Net Carrying Amount	Identifiable Collateral
<u>BDO Unibank Group</u>				
Receivable from customers:				
Corporate	P 23,709	P 47,617	P 32,782	P 50,434
Consumer	21,433	47,880	18,528	43,408
Investment securities and other assets for life insurance contracts	253	596	234	553
Other receivables	2,128	904	1,456	708
<u>Parent Bank</u>				
Receivable from customers:				
Corporate	P 23,692	P 47,617	P 32,721	P 49,961
Consumer	19,604	47,880	17,016	45,322
Other receivables	1,109	904	878	708

For each loan, the value of disclosed collateral (mainly collateral properties) is capped at the nominal amount of the loan that it is held against.

(b) *Debt Investment Securities*

The BDO Unibank Group and the Parent Bank invest in non-collateralized debt securities issued by various government and corporate entities. The maximum exposure to credit risk of debt investment securities is equivalent to their carrying amount as of December 31, 2024 and 2023 as shown below:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Debt securities:				
At amortized cost	P 575,954	P 573,480	P 556,125	P 554,643
At FVOCI	270,144	234,899	259,973	223,007
At FVTPL	18,500	7,447	17,340	6,311
Investments securities for life insurance contracts	<u>80,052</u>	<u>79,163</u>	<u>-</u>	<u>-</u>
	<u>P 944,650</u>	<u>P 894,989</u>	<u>P 833,438</u>	<u>P 783,961</u>

4.3.5 Amounts Arising from Expected Credit Losses

At each reporting date, BDO Unibank Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

(a) *Significant Increase in Credit Risk (SICR)*

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the BDO Unibank Group based on changes in credit quality since initial recognition of the financial asset. A financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the BDO Unibank Group as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit-impaired. Such assessment is based on the following criteria in determining whether there has been a significant increase in credit risk that could result to rescheduling or restructuring: (i) qualitative indicators, such as net losses, intermittent delays in payment, affected by adverse economic conditions; and (ii) quantitative test based on movement in risk rating and PD. The borrowers can be moved to Stage 1 upon completion of the seasoning period which shall be 6 months of continuous payment with no incident of past due.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the BDO Unibank Group 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 BDO Unibank Group's historical experience and expert credit assessment and including forward-looking information (FLI).

The objective of the assessment is to identify whether an SICR has occurred for an exposure by comparing:

- the remaining lifetime PD as of 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).

(i) *Credit risk grading*

The BDO Unibank Group 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 judgment. 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 in the 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 BDO Unibank Group collects performance and default information about its credit risk exposures analyzed 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 BDO Unibank Group employs statistical models to analyze the data collected and generates the term structure of PD estimates.

(iii) *Determining whether credit risk has increased significantly*

The BDO Unibank Group 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 BDO Unibank Group.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the BDO Unibank Group'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 net loss, significant drop in risk ratings and intermittent delays in payments that could result to rescheduling or restructuring.

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 using 12-month ECL.

(b) *Definition of Default*

The BDO Unibank Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the BDO Unibank Group in full, without recourse by the BDO Unibank Group 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 BDO Unibank Group; or,
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the BDO Unibank Group 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.

These criteria have been applied to all financial instruments held by the BDO Unibank Group and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the BDO Unibank Group.

An instrument is considered to have cured when it no longer meets any of the default criteria for a consecutive period of six months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments in compliance with the regulatory requirements on transfer between stages.

(c) *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 above under the heading 'Generating the term structure of PD.

LGD is the magnitude of the likely loss if there is a default. The BDO Unibank Group 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 effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The BDO Unibank Group 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 financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. 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.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the BDO Unibank Group 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 BDO Unibank Group considers a longer period. The maximum contractual period extends to the date at which the BDO Unibank Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

There were no significant changes in the estimation techniques or significant assumptions made by the BDO Unibank Group in 2024.

(d) Collective Basis of Measurement of ECL

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

- 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 the regular review by the BDO Unibank Group's RMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(e) Forward-looking Information (FLI)

The BDO Unibank Group 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.

The BDO Unibank Group 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, GDP growth rate, unemployment rate, inflation rate, foreign exchange rates, 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.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different from the projections. The BDO Unibank Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the BDO Unibank Group different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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.

(f) 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 BDO Unibank Group renegotiates loans of customers in financial difficulties (referred to as 'restructuring') to maximize collection opportunities and minimize the risk of default.

The revised terms usually include extending the maturity, deferment of principal payment, changing the timing of interest payments and amending the terms of loan covenants. The proposals for loan restructuring are for approval by the BDO Unibank Group's Executive Committee.

For financial assets modified as part of the BDO Unibank Group's restructuring policy, the estimate of credit loss will reflect the probability to collect interest and principal. As part of this process, the BDO Unibank Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, restructuring is a qualitative indicator of an SICR and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 4.3.2). A customer needs to demonstrate consistently good payment behavior over a period of time (in accordance with the new terms for six consecutive months or more) 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.

The following tables provide a summary of the outstanding principal balance net of allowance for impairment of modified loans provided by the BDO Unibank Group and the Parent Bank as of December 31, 2024 and 2023:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Stage 1 (Performing)				
Corporate	P 41,110	P 38,830	P 34,662	P 38,830
Consumer	<u>46,965</u>	<u>58,216</u>	<u>42,773</u>	<u>58,034</u>
	88,075	97,046	77,435	96,864
Allowance for impairment	(<u>247</u>)	(<u>424</u>)	(<u>230</u>)	(<u>413</u>)
	<u>P 87,828</u>	<u>P 96,622</u>	<u>P 77,205</u>	<u>P 96,451</u>
Stage 2 (Underperforming)				
Corporate	P 34,023	P 46,095	P 33,978	P 46,095
Consumer	<u>24,038</u>	<u>21,446</u>	<u>23,506</u>	<u>20,977</u>
	58,061	67,541	57,484	67,072
Allowance for impairment	(<u>23,563</u>)	(<u>17,612</u>)	(<u>23,546</u>)	(<u>17,560</u>)
	<u>P 34,498</u>	<u>P 49,929</u>	<u>P 33,938</u>	<u>P 49,512</u>
Stage 3 (Non-performing)				
Corporate	P 1,638	P 6,079	P 1,635	P 6,078
Consumer	<u>11,257</u>	<u>8,336</u>	<u>10,122</u>	<u>7,612</u>
	12,895	14,415	11,757	13,690
Allowance for impairment	(<u>5,458</u>)	(<u>8,361</u>)	(<u>4,956</u>)	(<u>7,801</u>)
	<u>P 7,437</u>	<u>P 6,054</u>	<u>P 6,801</u>	<u>P 5,889</u>

(g) *Write-offs*

The BDO Unibank Group 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 BDO Unibank Group'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 BDO Unibank Group and the Parent Bank have still, however, enforceable right to receive payment even if the financial assets have been written off except in certain cases.

The BDO Unibank Group and the Parent Bank had written off certain accounts from which it no longer has an enforceable right to receive payment amounting to P289 and P253, respectively, in 2024, and P306 and P279, respectively, in 2023.

(b) *Credit Risk Exposure*

The BDO Unibank Group and the Parent Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets as shown below and in the succeeding page.

BDO Unibank Group

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
2024				
Loans and discounts:				
Corporate	P 2,442,112	P 1,294,939	P 1,147,173	P 1,294,939
Consumer	783,118	946,815	-	783,118
Loans for life				
insurance contracts	2,031	5,437	-	2,031
Reverse repurchase				
agreements	25,463	25,000	463	25,000
Sales contracts receivables	<u>1,864</u>	<u>2,496</u>	<u>-</u>	<u>1,864</u>
	<u>P 3,254,588</u>	<u>P 2,274,687</u>	<u>P 1,147,636</u>	<u>P 2,106,952</u>

2023

Loans and discounts:				
Corporate	P 2,183,476	P 1,193,771	P 989,705	P 1,193,771
Consumer	665,321	825,528	-	665,321
Loans for life				
insurance contracts	2,569	6,397	-	2,569
Reverse repurchase				
agreements	25,370	25,362	8	25,362
Sales contracts receivables	<u>1,384</u>	<u>2,754</u>	<u>-</u>	<u>1,384</u>
	<u>P 2,878,120</u>	<u>P 2,053,812</u>	<u>P 989,713</u>	<u>P 1,888,407</u>

Parent Bank

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
2024				
Loans and discounts:				
Corporate	P 2,434,075	P 1,288,466	P 1,145,609	P 1,288,466
Consumer	687,340	942,010	-	687,340
Reverse repurchase				
agreements	25,012	25,000	12	25,000
Sales contracts receivables	<u>1,843</u>	<u>2,496</u>	<u>-</u>	<u>1,843</u>
	<u>P 3,148,270</u>	<u>P 2,257,972</u>	<u>P 1,145,621</u>	<u>P 2,002,649</u>

Parent Bank

		<u>Gross Maximum Exposure</u>		<u>Fair Value of Collaterals</u>		<u>Net Exposure</u>		<u>Financial Effect of Collaterals</u>
<u>2023</u>								
Loans and discounts:								
Corporate	P	2,175,478	P	1,179,510	P	995,968	P	1,179,510
Consumer		600,002		825,528		-		600,002
Reverse repurchase agreements		24,970		24,963		7		24,963
Sales contracts receivables		<u>1,351</u>		<u>2,754</u>		<u>-</u>		<u>1,351</u>
	P	<u>2,801,801</u>	P	<u>2,032,755</u>	P	<u>995,975</u>	P	<u>1,805,826</u>

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2024 and 2023 is shown below and in the succeeding page.

BDO Unibank Group

		<u>Gross Maximum Exposure</u>		<u>Fair Value of Collaterals</u>		<u>Net Exposure</u>		<u>Financial Effect of Collaterals</u>
<u>2024</u>								
Loans and discounts:								
Corporate	P	19,324	P	17,040	P	2,284	P	17,040
Consumer		41,026		43,833		-		41,026
Loans for life insurance contracts		253		538		-		253
Sales contracts receivables		<u>559</u>		<u>634</u>		<u>-</u>		<u>559</u>
	P	<u>61,162</u>	P	<u>62,045</u>	P	<u>2,284</u>	P	<u>58,878</u>

2023

Loans and discounts:								
Corporate	P	18,639	P	7,548	P	11,091	P	7,548
Consumer		34,536		41,865		-		34,536
Loans for life insurance contracts		196		432		-		196
Sales contracts receivables		<u>305</u>		<u>628</u>		<u>-</u>		<u>305</u>
	P	<u>53,676</u>	P	<u>50,473</u>	P	<u>11,091</u>	P	<u>42,585</u>

Parent Bank

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<u>2024</u>				
Loans and discounts:				
Corporate	P 19,319	P 17,040	P 2,279	P 17,040
Consumer	37,687	43,833	-	37,687
Sales contracts receivables	<u>559</u>	<u>634</u>	<u>-</u>	<u>559</u>
	<u>P 57,565</u>	<u>P 61,507</u>	<u>P 2,279</u>	<u>P 55,286</u>

2023

Loans and discounts:				
Corporate	P 18,633	P 7,548	P 11,085	P 7,548
Consumer	31,653	41,865	-	31,653
Sales contracts receivables	<u>305</u>	<u>628</u>	<u>-</u>	<u>305</u>
	<u>P 50,591</u>	<u>P 50,041</u>	<u>P 11,085</u>	<u>P 39,506</u>

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

	<u>Notes</u>	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Cash equivalents	8, 9	<u>P 449,822</u>	<u>P 515,386</u>	<u>P 430,124</u>	<u>P 500,909</u>
Debt securities:					
At FVOCI	10.2	<u>270,148</u>	<u>234,899</u>	<u>259,977</u>	<u>223,007</u>
At amortized cost	10.3	<u>578,066</u>	<u>575,606</u>	<u>558,234</u>	<u>556,758</u>
Investments securities for life insurance contracts	16	<u>71,414</u>	<u>71,479</u>	<u>-</u>	<u>-</u>
		<u>P 919,628</u>	<u>P 881,984</u>	<u>P 818,211</u>	<u>P 779,765</u>

Cash equivalents includes loans with amounts due from BSP and from other banks. Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

(i) *Loss allowance*

In 2024 and 2023, the BDO Unibank Group and the Parent Bank performed a recalibration of its existing ECL model to incorporate the most-recent default and recovery experience of the BDO Unibank Group and the Parent Bank and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the PD could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure that models are robust, predictive and reliable.

The tables below and in the succeeding pages show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

BDO Unibank Group

	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 58	P -	P -	P 58
Net remeasurement of loss allowance	(21)	-	-	(21)
Balance at December 31	<u>P 37</u>	<u>P -</u>	<u>P -</u>	<u>P 37</u>
Receivables from customers –				
corporate				
Balance at January 1	P 6,248	P 33,106	P 15,640	P 54,994
Transfers to:				
Stage 1	199	(196)	(3)	-
Stage 2	(36)	(1,571)	1,607	-
Stage 3	(1)	4,192	(4,191)	-
Net remeasurement of loss allowance	(1,000)	2,424	2,217	3,641
New financial assets originated or purchased	3,208	1,605	1,447	6,260
Derecognition of financial assets	(2,470)	(6,888)	(428)	(9,786)
Write-offs	-	-	(1,007)	(1,007)
Foreign exchange	26	1	97	124
Balance at December 31	<u>P 6,174</u>	<u>P 32,673</u>	<u>P 15,379</u>	<u>P 54,226</u>
Receivables from customers –				
consumer				
Balance at January 1	P 8,593	P 874	P 18,642	P 28,109
Transfers to:				
Stage 1	810	(214)	(596)	-
Stage 2	(242)	609	(367)	-
Stage 3	(2,225)	(1,544)	3,769	-
Net remeasurement of loss allowance	1,426	2,114	10,030	13,570
New financial assets originated or purchased	2,895	322	1,658	4,875
Derecognition of financial assets	(667)	(263)	(3,745)	(4,675)
Write-offs	-	-	(7,017)	(7,017)
Foreign exchange	4	(1)	6	9
Balance at December 31	<u>P 10,594</u>	<u>P 1,897</u>	<u>P 22,380</u>	<u>P 34,871</u>
Other receivables				
Balance at January 1	P 238	P 42	P 2,428	P 2,708
Transfers to:				
Stage 1	2	-	(2)	-
Stage 2	-	6	(6)	-
Stage 3	5	(35)	30	-
Net remeasurement of loss allowance	(15)	22	307	314
New financial assets originated or purchased	443	49	513	1,005
Derecognition of financial assets	(152)	(29)	(655)	(836)
Foreign exchange	2	-	-	2
Write-offs	-	-	(199)	(199)
Balance at December 31	<u>P 523</u>	<u>P 55</u>	<u>P 2,416</u>	<u>P 2,994</u>
Debt investment securities at				
amortized cost				
Balance at January 1	P 231	P 49	P 1,846	P 2,126
Transfers to:				
Stage 3	(5)	-	5	-
Net remeasurement of loss allowance	(67)	9	-	(58)
New financial assets originated or purchased	29	-	-	29
Foreign exchange	14	2	72	88
Derecognition of financial assets	(73)	-	-	(73)
Balance at December 31	<u>P 129</u>	<u>P 60</u>	<u>P 1,923</u>	<u>P 2,112</u>

BDO Unibank Group

	2024			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI				
Balance at January 1	P 102	P 97	P -	P 199
Transfers to:				
Stage 3	-	(99)	99	-
Net remeasurement of loss allowance	(25)	2	17	(6)
New financial assets originated or purchased	20	-	-	20
Derecognition of financial assets	(26)	-	-	(26)
Balance at December 31	<u>P 71</u>	<u>P -</u>	<u>P 116</u>	<u>P 187</u>
Investment securities and other assets for life insurance contracts				
Balance at January 1	P 39	P 3	P 27	P 69
Transfers to:				
Stage 1	(7)	2	5	-
Stage 2	-	(4)	4	-
Net remeasurement of loss allowance	7	1	(2)	6
Derecognition of financial assets	(11)	-	(1)	(12)
Balance at December 31	<u>P 28</u>	<u>P 2</u>	<u>P 33</u>	<u>P 63</u>
Loan commitments and other contingent accounts				
Balance at January 1	P 176	P 27	P -	P 203
Net remeasurement of loss allowance	(32)	2	-	(30)
New financial assets originated or purchased	49	-	-	49
Derecognition of financial assets	(107)	-	-	(107)
Foreign exchange	3	-	-	3
Balance at December 31	<u>P 89</u>	<u>P 29</u>	<u>P -</u>	<u>P 118</u>
	2023			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 15	P -	P -	P 15
Net remeasurement of loss allowance	46	-	-	46
Derecognition of financial assets	(3)	-	-	(3)
Balance at December 31	<u>P 58</u>	<u>P -</u>	<u>P -</u>	<u>P 58</u>
	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 6,950	P 26,614	P 14,025	P 47,589
Transfers to:				
Stage 1	3,231	(3,231)	-	-
Stage 2	(57)	59	(2)	-
Stage 3	(3)	(80)	83	-
Net remeasurement of loss allowance	(4,446)	8,199	1,424	5,177
New financial assets originated or purchased	2,947	3,527	598	7,072
Derecognition of financial assets	(2,370)	(1,960)	(207)	(4,537)
Write-offs	-	-	(275)	(275)
Foreign exchange	(4)	(22)	(6)	(32)
Balance at December 31	<u>P 6,248</u>	<u>P 33,106</u>	<u>P 15,640</u>	<u>P 54,994</u>

BDO Unibank Group

	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers –				
consumer				
Balance at January 1	P 6,608	P 889	P 18,665	P 26,162
Transfers to:				
Stage 1	1,120	(117)	(1,003)	-
Stage 2	(95)	411	(316)	-
Stage 3	(744)	(1,515)	2,259	-
Net remeasurement of loss allowance	246	951	6,113	7,310
New financial assets originated or purchased	2,338	400	2,265	5,003
Derecognition of financial assets	(880)	(145)	(3,428)	(4,453)
Write-offs	-	-	(5,912)	(5,912)
Foreign exchange	-	-	(1)	(1)
Balance at December 31	<u>P 8,593</u>	<u>P 874</u>	<u>P 18,642</u>	<u>P 28,109</u>
Other receivables				
Balance at January 1	P 101	P 78	P 2,398	P 2,577
Transfers to:				
Stage 1	22	(2)	(20)	-
Stage 2	-	1	(1)	-
Stage 3	(3)	(37)	40	-
Net remeasurement of loss allowance	1	39	66	106
New financial assets originated or purchased	143	36	720	899
Derecognition of financial assets	(26)	(73)	(670)	(769)
Foreign exchange	-	-	2	2
Write-offs	-	-	(107)	(107)
Balance at December 31	<u>P 238</u>	<u>P 42</u>	<u>P 2,428</u>	<u>P 2,708</u>
Debt investment securities at				
amortized cost				
Balance at January 1	P 95	P 29	P 1,519	P 1,643
Transfers to:				
Stage 2	(2)	2	-	-
Stage 3	(111)	(208)	319	-
Net remeasurement of loss allowance	131	226	17	374
New financial assets originated or purchased	132	-	-	132
Foreign exchange	-	-	(9)	(9)
Derecognition of financial assets	(14)	-	-	(14)
Balance at December 31	<u>P 231</u>	<u>P 49</u>	<u>P 1,846</u>	<u>P 2,126</u>
Debt investment securities at FVOCI				
Balance at January 1	P 43	P 60	P -	P 103
Net remeasurement of loss allowance	53	37	-	90
New financial assets originated or purchased	17	-	-	17
Derecognition of financial assets	(11)	-	-	(11)
Balance at December 31	<u>P 102</u>	<u>P 97</u>	<u>P -</u>	<u>P 199</u>
Investment securities and other assets				
for life insurance contracts				
Balance at January 1	P 29	P 1	P 26	P 56
Transfers to:				
Stage 1	(8)	3	5	-
Stage 3	(3)	-	3	-
Net remeasurement of loss allowance	22	-	(6)	16
New financial assets originated or purchased	(1)	-	-	(1)
Derecognition of financial assets	(1)	-	(1)	(2)
Balance at December 31	<u>P 38</u>	<u>P 4</u>	<u>P 27</u>	<u>P 69</u>

BDO Unibank Group

	2023			
	Stage 1	Stage 2	Stage 3	Total
Loan commitments and other				
contingent accounts				
Balance at January 1	P 233	P -	P -	P 233
Net remeasurement of loss allowance	(130)	27	-	(103)
New financial assets originated				
or purchased	119	-	-	119
Derecognition of financial assets	(44)	-	-	(44)
Foreign exchange	(2)	-	-	(2)
Balance at December 31	<u>P 176</u>	<u>P 27</u>	<u>P -</u>	<u>P 203</u>

Parent Bank

	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 55	P -	P -	P 55
Net remeasurement of loss allowance	(24)	-	-	(24)
Balance at December 31	<u>P 31</u>	<u>P -</u>	<u>P -</u>	<u>P 31</u>

Receivables from customers –

corporate

Balance at January 1	P 6,238	P 33,069	P 15,638	P 54,945
Transfers to:				
Stage 1	187	(184)	(3)	-
Stage 2	(14)	(1,593)	1,607	-
Stage 3	(1)	4,193	(4,192)	-
Net remeasurement of loss allowance	(997)	2,428	2,218	3,649
New financial assets originated				
or purchased	3,203	1,605	1,447	6,255
Derecognition of financial assets	(2,478)	(6,876)	(428)	(9,782)
Write-offs	-	-	(1,007)	(1,007)
Foreign exchange	26	1	97	124
Balance at December 31	<u>P 6,164</u>	<u>P 32,643</u>	<u>P 15,377</u>	<u>P 54,184</u>

Receivables from customers –

consumer

Balance at January 1	P 8,099	P 733	P 17,025	P 25,857
Transfers to:				
Stage 1	568	(81)	(487)	-
Stage 2	(217)	559	(342)	-
Stage 3	(1,695)	(393)	2,088	-
Net remeasurement of loss allowance	1,352	925	10,121	12,398
New financial assets originated				
or purchased	2,676	294	1,544	4,514
Derecognition of financial assets	(578)	(219)	(3,279)	(4,076)
Write-offs	-	-	(6,231)	(6,231)
Foreign exchange	4	(1)	6	9
Balance at December 31	<u>P 10,209</u>	<u>P 1,817</u>	<u>P 20,445</u>	<u>P 32,471</u>

Other receivables

Balance at January 1	P 185	P 42	P 2,341	P 2,568
Transfers to:				
Stage 1	2	-	(2)	-
Stage 2	-	6	(6)	-
Stage 3	5	(1)	(4)	-
Net remeasurement of loss allowance	(14)	(12)	225	199
New financial assets originated				
or purchased	443	49	507	999
Derecognition of financial assets	(147)	(29)	(634)	(810)
Write-offs	-	-	(199)	(199)
Foreign exchange	2	-	-	2
Balance at December 31	<u>P 476</u>	<u>P 55</u>	<u>P 2,228</u>	<u>P 2,759</u>

Parent Bank

		2024			
		Stage 1	Stage 2	Stage 3	Total
Debt investment securities at					
amortized cost					
Balance at January 1	P	220	P 49	P 1,846	P 2,115
Transfers to:					
Stage 3	(	5)	-	5	-
Net remeasurement of loss allowance	(	59)	9	-	(50)
New financial assets originated or purchased		29	-	-	29
Foreign exchange		13	2	72	87
Derecognition of financial assets	(	72)	-	-	(72)
Balance at December 31	P	126	P 60	P 1,923	P 2,109
Debt investment securities at FVOCI					
Balance at January 1	P	102	P 97	P -	P 199
Transfers to:					
Stage 3	-	(	99)	99	-
Net remeasurement of loss allowance	(	25)	2	13	(10)
New financial assets originated or purchased		19	-	-	19
Derecognition of financial assets	(	26)	-	-	(26)
Balance at December 31	P	70	P -	P 112	P 182
Loan commitments and other					
contingent accounts					
Balance at January 1	P	176	P 27	P -	P 203
Net remeasurement of loss allowance	(	32)	2	-	(30)
New financial assets originated or purchased		49	-	-	49
Derecognition of financial assets	(	107)	-	-	(107)
Foreign exchange		3	-	-	3
Balance at December 31	P	89	P 29	P -	P 118
		2023			
		Stage 1	Stage 2	Stage 3	Total
Due from other banks					
Balance at January 1	P	14	P -	P -	P 14
Net remeasurement of loss allowance		41	-	-	41
Balance at December 31	P	55	P -	P -	P 55
Receivables from customers – corporate					
Balance at January 1	P	6,906	P 26,614	P 14,022	P 47,542
Transfers to:					
Stage 1		3,230	(3,230)	-	-
Stage 2	(	45)	47	(2)	-
Stage 3	(	3)	(79)	82	-
Net remeasurement of loss allowance	(	4,435)	8,172	1,426	5,163
New financial assets originated or purchased		2,927	3,527	598	7,052
Derecognition of financial assets	(	2,339)	(1,960)	(207)	(4,506)
Write-offs	-	-	-	(275)	(275)
Foreign exchange	(	3)	(22)	(6)	(31)
Balance at December 31	P	6,238	P 33,069	P 15,638	P 54,945

Parent Bank

	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers –				
consumer				
Balance at January 1	P 6,050	P 775	P 17,209	P 24,034
Transfers to:				
Stage 1	790	(104)	(686)	-
Stage 2	(85)	391	(306)	-
Stage 3	(711)	(520)	1,231	-
Net remeasurement of loss allowance	783	(42)	5,690	6,431
New financial assets originated or purchased	2,012	334	2,079	4,425
Derecognition of financial assets	(740)	(101)	(2,851)	(3,692)
Write-offs	-	-	(5,340)	(5,340)
Foreign exchange	-	-	(1)	(1)
Balance at December 31	<u>P 8,099</u>	<u>P 733</u>	<u>P 17,025</u>	<u>P 25,857</u>
Other receivables				
Balance at January 1	P 74	P 78	P 2,272	P 2,424
Transfers to:				
Stage 1	22	(1)	(21)	-
Stage 2	-	1	(1)	-
Stage 3	(4)	(1)	5	-
Net remeasurement of loss allowance	(20)	2	117	99
New financial assets originated or purchased	138	36	718	892
Derecognition of financial assets	(25)	(73)	(652)	(750)
Write-offs	-	-	(99)	(99)
Foreign exchange	-	-	2	2
Balance at December 31	<u>P 185</u>	<u>P 42</u>	<u>P 2,341</u>	<u>P 2,568</u>
Debt investment securities at				
amortized cost				
Balance at January 1	P 92	P 29	P 1,519	P 1,640
Transfers to:				
Stage 1	-	-	-	-
Stage 2	(2)	2	-	-
Stage 3	(111)	(208)	319	-
Net remeasurement of loss allowance	122	226	16	364
New financial assets originated or purchased	132	-	-	132
Foreign exchange	-	-	(8)	(8)
Derecognition of financial assets	(13)	-	-	(13)
Balance at December 31	<u>P 220</u>	<u>P 49</u>	<u>P 1,846</u>	<u>P 2,115</u>
Debt investment securities at FVOCI				
Balance at January 1	P 42	P 60	P -	P 102
Net remeasurement of loss allowance	52	37	-	89
New financial assets originated or purchased	17	-	-	17
Derecognition of financial assets	(9)	-	-	(9)
Balance at December 31	<u>P 102</u>	<u>P 97</u>	<u>P -</u>	<u>P 199</u>
Loan commitments and other				
contingent accounts				
Balance at January 1	P 233	P -	P -	P 233
Net remeasurement of loss allowance	(130)	27	-	(103)
New financial assets originated or purchased	119	-	-	119
Derecognition of financial assets	(44)	-	-	(44)
Foreign exchange	(2)	-	-	(2)
Balance at December 31	<u>P 176</u>	<u>P 27</u>	<u>P -</u>	<u>P 203</u>

The following table sets out a reconciliation of changes in the total loss allowance.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Balance at January 1	P 88,466	P 78,378	P 85,942	P 75,989
Net remeasurement of loss allowance	17,416	13,016	16,132	12,084
Derecognition of financial assets	(15,515)	(9,833)	(14,873)	(9,014)
New financial assets originated or purchased	12,238	13,241	11,865	12,637
Write-offs	(8,223)	(6,294)	(7,437)	(5,714)
Foreign exchange	226	(42)	225	(40)
Balance at December 31	<u>P 94,608</u>	<u>P 88,466</u>	<u>P 91,854</u>	<u>P 85,942</u>

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

The tables below and 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.

BDO Unibank Group

	<u>2024</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Due from other banks				
Balance at January 1	P 86,032	P -	P -	P 86,032
Net remeasurement of loss allowance	2,084	-	-	2,084
New financial assets originated or purchased	44,450	-	-	44,450
Derecognition of financial assets	(42,729)	-	-	(42,729)
Foreign exchange	648	-	-	648
Balance at December 31	<u>P 90,485</u>	<u>P -</u>	<u>P -</u>	<u>P 90,485</u>

Receivables from customers – corporate

Balance at January 1	P 2,101,948	P 62,889	P 18,639	P 2,183,476
Transfers to:				
Stage 1	1,330	(1,320)	(10)	-
Stage 2	(3,309)	8,297	(4,988)	-
Stage 3	(563)	(4,583)	5,146	-
Net remeasurement of loss allowance	(1,047)	85	(2)	(964)
Foreign exchange	27	-	-	27
New financial assets originated or purchased	2,133,226	3,621	154,418	2,291,265
Derecognition of financial assets	(1,861,261)	(16,552)	(152,705)	(2,030,518)
Write-offs	-	-	(1,174)	(1,174)
Balance at December 31	<u>P 2,370,351</u>	<u>P 52,437</u>	<u>P 19,324</u>	<u>P 2,442,112</u>

BDO Unibank Group

	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer				
Balance at January 1	P 627,277	P 3,508	P 34,536	P 665,321
Transfers to:				
Stage 1	29,994	(584)	(29,410)	-
Stage 2	(2,744)	3,123	(379)	-
Stage 3	(16,446)	(1,984)	18,430	-
Net remeasurement of loss allowance	(31,258)	222	28,034	(3,002)
New financial assets originated or purchased	290,495	750	1,948	293,193
Derecognition of financial assets	(159,910)	(351)	(5,283)	(165,544)
Write-offs	-	-	(6,850)	(6,850)
Balance at December 31	<u>P 737,408</u>	<u>P 4,684</u>	<u>P 41,026</u>	<u>P 783,118</u>
Other receivables				
Balance at January 1	P 115,038	P 443	P 3,478	P 118,959
Transfers to:				
Stage 1	78	(59)	(19)	-
Stage 2	(45)	68	(23)	-
Stage 3	(144)	(53)	197	-
New financial assets originated or purchased	29,452	598	2,391	32,441
Acquired from business combination	(181)	-	-	(181)
Derecognition of financial assets	(8,968)	(340)	(2,333)	(11,641)
Write-offs	-	-	(199)	(199)
Balance at December 31	<u>P 135,230</u>	<u>P 657</u>	<u>P 3,492</u>	<u>P 139,379</u>
Debt investment securities at amortized cost				
Balance at January 1	P 573,704	P 56	P 1,846	P 575,606
Amortization	(2,288)	-	-	(2,288)
New financial assets originated or purchased	125,311	1	-	125,312
Foreign exchange	8,417	3	71	8,491
Transfers to:				
Stage 3	(6)	-	6	-
Derecognition of financial assets	(129,055)	-	-	(129,055)
Balance at December 31	<u>P 576,083</u>	<u>P 60</u>	<u>P 1,923</u>	<u>P 578,066</u>
Debt investment securities at FVOCI				
Balance at January 1	P 234,884	P 15	P -	P 234,899
Amortization	8,212	-	-	8,212
Fair value gain	(447)	(6)	102	(351)
New financial assets originated or purchased	1,322,501	(1)	4	1,322,504
Foreign exchange	4,598	5	-	4,603
Transfers to:				
Stage 3	-	(13)	13	-
Derecognition of financial assets	(1,299,719)	-	-	(1,299,719)
Balance at December 31	<u>P 270,029</u>	<u>P -</u>	<u>P 119</u>	<u>P 270,148</u>

BDO Unibank Group

		2024			
		Stage 1	Stage 2	Stage 3	Total
Investment securities and other assets					
for life insurance contracts					
Balance at January 1	P	75,337	P 61	P 203	P 75,601
Transfers to:					
Stage 1	(	80)	26	54	-
Stage 2		14	(51)	37	-
Stage 3		23	-	(23)	-
Amortization	(	246)	-	-	(246)
Fair value gain	(	775)	-	-	(775)
Foreign exchange		125	-	-	125
New financial assets originated or purchased		82,434	-	-	82,434
Net remeasurement of loss allowance	(	66,527)	(3)	(4)	(66,534)
Derecognition of financial assets	(	15,506)	(6)	(6)	(15,518)
Balance at December 31	<u>P</u>	<u>74,799</u>	<u>P 27</u>	<u>P 261</u>	<u>P 75,087</u>
Loan commitments and other					
contingent accounts					
Balance at January 1	P	606,864	P 1,079	P 49	P 607,992
Transfers to:					
Stage 1	-	-	-	-	-
New financial assets originated or purchased		130,177	133	-	130,310
Derecognition of financial assets	(	247)	(865)	(49)	(1,161)
Balance at December 31	<u>P</u>	<u>736,794</u>	<u>P 347</u>	<u>P -</u>	<u>P 737,141</u>
		2023			
		Stage 1	Stage 2	Stage 3	Total
Due from other banks					
Balance at January 1	P	59,160	P -	P -	P 59,160
Net remeasurement of loss allowance		30,631	-	-	30,631
New financial assets originated or purchase		2,772	-	-	2,772
Derecognition of financial assets	(	8,111)	-	-	(8,111)
Acquired from business combination		713	-	-	713
Foreign exchange		867	-	-	867
Balance at December 31	<u>P</u>	<u>86,032</u>	<u>P -</u>	<u>P -</u>	<u>P 86,032</u>
Receivables from customers – corporate					
Balance at January 1	P	1,922,484	P 75,102	P 17,756	P 2,015,342
Transfers to:					
Stage 1		12,266	(12,248)	(18)	-
Stage 2	(	9,634)	9,634	-	-
Stage 3	(	471)	(765)	1,236	-
New financial assets originated or purchased		1,837,736	6,885	914	1,845,535
Derecognition of financial assets	(	1,660,433)	(15,719)	(974)	(1,677,126)
Write-offs		-	-	(275)	(275)
Balance at December 31	<u>P</u>	<u>2,101,948</u>	<u>P 62,889</u>	<u>P 18,639</u>	<u>P 2,183,476</u>
Receivables from customers – consumer					
Balance at January 1	P	557,477	P 2,597	P 35,118	P 595,192
Transfers to:					
Stage 1		34,438	(29,716)	(4,722)	-
Stage 2	(	2,449)	2,809	(360)	-
Stage 3	(	11,457)	(2,592)	14,049	-
Net remeasurement of loss allowance	(	59,202)	30,863	2,350	(25,989)
New financial assets originated or purchased		222,907	540	1,208	224,655
Derecognition of financial assets	(	114,437)	(993)	(7,195)	(122,625)
Write-offs		-	-	(5,912)	(5,912)
Balance at December 31	<u>P</u>	<u>627,277</u>	<u>P 3,508</u>	<u>P 34,536</u>	<u>P 665,321</u>

BDO Unibank Group

	2023			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Balance at January 1	P 154,729	P 535	P 3,053	P 158,317
Transfers to:				
Stage 1	89	(7)	(82)	-
Stage 2	(11)	57	(46)	-
Stage 3	(187)	(36)	223	-
Net remeasurement of loss allowance	-	(36)	(32)	(68)
New financial assets originated or purchased	12,858	198	1,486	14,542
Acquired from business combination	181	-	-	181
Derecognition of financial assets	(52,621)	(268)	(1,017)	(53,906)
Write-offs	-	-	(107)	(107)
Balance at December 31	<u>P 115,038</u>	<u>P 443</u>	<u>P 3,478</u>	<u>P 118,959</u>
Debt investment securities at amortized cost				
Balance at January 1	P 509,385	P 56	P 1,519	P 510,960
Amortization	12,625	-	-	12,625
New financial assets originated or purchased	100,352	3	15	100,370
Foreign exchange	(709)	1	(10)	(718)
Transfers to:				
Stage 1	(332)	(1)	333	-
Derecognition of financial assets	(47,617)	(3)	(11)	(47,631)
Balance at December 31	<u>P 573,704</u>	<u>P 56</u>	<u>P 1,846</u>	<u>P 575,606</u>
Debt investment securities at FVOCI				
Balance at January 1	P 117,370	P 53	P -	P 117,423
Amortization	4,196	-	-	4,196
Fair value gain	3,842	(37)	-	3,805
New financial assets originated or purchased	874,506	-	-	874,506
Foreign exchange	(555)	(1)	-	(556)
Derecognition of financial assets	(764,475)	-	-	(764,475)
Balance at December 31	<u>P 234,884</u>	<u>P 15</u>	<u>P -</u>	<u>P 234,899</u>
Investment securities and other assets for life insurance contracts				
Balance at January 1	P 50,882	P 11	P 190	P 51,083
Transfers to:				
Stage 1	10	(5)	(5)	-
Stage 2	(1)	1	-	-
Stage 3	(3)	(1)	4	-
Amortization	(253)	-	-	(253)
Fair value gain	3,528	-	-	3,528
Foreign exchange	(131)	-	-	(131)
New financial assets originated or purchased	36,467	-	-	36,467
Net remeasurement of loss allowance	(490)	58	25	(407)
Derecognition of financial assets	(14,672)	(3)	(11)	(14,686)
Write-offs	-	-	-	-
Balance at December 31	<u>P 75,337</u>	<u>P 61</u>	<u>P 203</u>	<u>P 75,601</u>
Loan commitments and other contingent accounts				
Balance at January 1	P 131,273	P 37	P -	P 131,310
Transfers to:				
Stage 1	3	(3)	-	-
New financial assets originated or purchased	565,483	1,052	49	566,584
Derecognition of financial assets	(89,895)	(7)	-	(89,902)
Balance at December 31	<u>P 606,864</u>	<u>P 1,079</u>	<u>P 49</u>	<u>P 607,992</u>

Parent Bank

	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 76,846	P -	P -	P 76,846
Net remeasurement of loss allowance	2,988	-	-	2,988
New financial assets originated or purchased	1	-	-	1
Derecognition of financial assets	(2,882)	-	-	(2,882)
Foreign exchange	589	-	-	589
Balance at December 31	<u>P 77,542</u>	<u>P -</u>	<u>P -</u>	<u>P 77,542</u>
Receivables from customers – corporate				
Balance at January 1	P 2,094,050	P 62,795	P 18,633	P 2,175,478
Transfers to:				
Stage 1	1,223	(1,213)	(10)	-
Stage 2	(3,320)	8,308	(4,988)	-
Stage 3	(563)	(4,582)	5,145	-
New financial assets originated or purchased	2,129,184	3,621	154,418	2,287,223
Derecognition of financial assets	(1,858,211)	(16,536)	(152,705)	(2,027,452)
Write-offs	-	-	(1,174)	(1,174)
Balance at December 31	<u>P 2,362,363</u>	<u>P 52,393</u>	<u>P 19,319</u>	<u>P 2,434,075</u>
Receivables from customers – consumer				
Balance at January 1	P 565,228	P 3,121	P 31,653	P 600,002
Transfers to:				
Stage 1	2,099	(599)	(1,500)	-
Stage 2	(2,735)	3,129	(394)	-
Stage 3	(15,443)	(1,752)	17,195	-
New financial assets originated or purchased	218,892	578	1,705	221,175
Derecognition of financial assets	(122,567)	(298)	(4,908)	(127,773)
Write-offs	-	-	(6,064)	(6,064)
Balance at December 31	<u>P 645,474</u>	<u>P 4,179</u>	<u>P 37,687</u>	<u>P 687,340</u>
Other receivables				
Balance at January 1	P 114,176	P 417	P 2,844	P 117,437
Transfers to:				
Stage 1	47	(27)	(20)	-
Stage 2	(45)	69	(24)	-
Stage 3	(144)	(20)	164	-
New financial assets originated or purchased	24,913	423	1,959	27,295
Derecognition of financial assets	(5,582)	(339)	(1,856)	(7,777)
Write-offs	-	-	(199)	(199)
Balance at December 31	<u>P 133,365</u>	<u>P 523</u>	<u>P 2,868</u>	<u>P 136,756</u>
Debt investment securities at amortized cost				
Balance at January 1	P 554,856	P 56	P 1,846	P 556,758
Amortization	(2,288)	-	-	(2,288)
New financial assets originated or purchased	117,892	1	-	117,893
Foreign exchange	8,194	3	71	8,268
Transfers to:				
Stage 3	(6)	-	6	-
Derecognition of financial assets	(122,397)	-	-	(122,397)
Balance at December 31	<u>P 556,251</u>	<u>P 60</u>	<u>P 1,923</u>	<u>P 558,234</u>

Parent Bank

	2024			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI				
Balance at January 1	P 222,994	P 15	P -	P 223,009
Amortization	8,211	-	-	8,211
Fair value gain	(494)	(6)	102	(398)
New financial assets originated or purchased	1,316,413	(1)	4	1,316,416
Foreign exchange	4,512	5	-	4,517
Transfers to : Stage 3	-	(13)	13	-
Derecognition of financial assets	(1,291,778)	-	-	(1,291,778)
Balance at December 31	<u>P 259,858</u>	<u>P -</u>	<u>P 119</u>	<u>P 259,977</u>
Loan commitments and other contingent accounts				
Balance at January 1	P 606,864	P 1,079	P 49	P 607,992
New financial assets originated or purchased	130,177	133	-	130,310
Derecognition of financial assets	(247)	(865)	(49)	(1,161)
Balance at December 31	<u>P 736,794</u>	<u>P 347</u>	<u>P -</u>	<u>P 737,141</u>
	2023			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 51,448	P -	P -	P 51,448
Net remeasurement of loss allowance	24,525	-	-	24,525
Foreign exchange	873	-	-	873
Balance at December 31	<u>P 76,846</u>	<u>P -</u>	<u>P -</u>	<u>P 76,846</u>
Receivables from customers – corporate				
Balance at January 1	P 1,914,938	P 75,102	P 17,750	P 2,007,790
Transfers to:				
Stage 1	12,023	(12,005)	(18)	-
Stage 2	(9,541)	9,541	-	-
Stage 3	(471)	(764)	1,235	-
New financial assets originated or purchased	1,833,568	6,638	915	1,841,121
Derecognition of financial assets	(1,656,467)	(15,717)	(974)	(1,673,158)
Write-offs	-	-	(275)	(275)
Balance at December 31	<u>P 2,094,050</u>	<u>P 62,795</u>	<u>P 18,633</u>	<u>P 2,175,478</u>
Receivables from customers – consumer				
Balance at January 1	P 494,913	P 2,271	P 32,670	P 529,854
Transfers to:				
Stage 1	2,563	(504)	(2,059)	-
Stage 2	(2,185)	2,516	(331)	-
Stage 3	(10,649)	(1,179)	11,828	-
New financial assets originated or purchased	162,533	362	855	163,750
Derecognition of financial assets	(81,947)	(345)	(5,970)	(88,262)
Write-offs	-	-	(5,340)	(5,340)
Balance at December 31	<u>P 565,228</u>	<u>P 3,121</u>	<u>P 31,653</u>	<u>P 600,002</u>

Parent Bank

	2023							
	Stage 1		Stage 2		Stage 3		Total	
Other receivables								
Balance at January 1	P	154,475	P	416	P	2,686	P	157,577
Transfers to								
Stage 1		68	(	7)	(	61)		-
Stage 2		-		1	(	1)		-
Stage 3	(	131)	(	15)		146		-
New financial assets originated or purchased		11,176		186		1,171		12,533
Derecognition of financial assets	(	51,412)	(	164)	(	998)	(	52,574)
Write-offs		-		-		99)		99)
Balance at December 31	<u>P</u>	<u>114,176</u>	<u>P</u>	<u>417</u>	<u>P</u>	<u>2,844</u>	<u>P</u>	<u>117,437</u>
Debt investment securities at amortized cost								
Balance at January 1	P	491,324	P	56	P	1,519	P	492,899
Amortization		12,625		-		-		12,625
New financial assets originated or purchased		96,439		3		15		96,457
Foreign exchange	(	675)		1	(	10)	(	684)
Transfers to:								
Stage 1	(	332)	(	1)		333		-
Stage 2		-		-		-		-
Stage 3		-		-		-		-
Derecognition of financial assets	(	44,525)	(	3)	(	11)	(	44,539)
Balance at December 31	<u>P</u>	<u>554,856</u>	<u>P</u>	<u>56</u>	<u>P</u>	<u>1,846</u>	<u>P</u>	<u>556,758</u>
Debt investment securities at FVOCI								
Balance at January 1	P	108,053	P	53	P	-	P	108,106
Amortization		4,196		-		-		4,196
Fair value gain		3,645	(	37)		-		3,608
New financial assets originated or purchased		867,743		-		-		867,743
Foreign exchange	(	532)	(	1	)	-	(	533)
Transfers to:								
Stage 2		-		-		-		-
Derecognition of financial assets	(	760,113)		-		-	(	760,113)
Balance at December 31	<u>P</u>	<u>222,992</u>	<u>P</u>	<u>15</u>	<u>P</u>	<u>-</u>	<u>P</u>	<u>223,007</u>
Loan commitments and other contingent accounts								
Balance at January 1	P	131,273	P	37	P	-	P	131,310
Transfers to Stage 1		3	(	3)		-		-
New financial assets originated or purchased		565,483		1,052		49		566,584
Derecognition of financial assets	(	89,895)	(	7)		-	(	89,902)
Balance at December 31	<u>P</u>	<u>606,864</u>	<u>P</u>	<u>1,079</u>	<u>P</u>	<u>49</u>	<u>P</u>	<u>607,992</u>

(k) Sensitivity Analysis on ECL Measurement

Set out below and in the succeeding page are the changes to the BDO Unibank Group's 12-month ECL as of December 31, 2024 and 2023 that would result from reasonably possible changes in these parameters from the actual assumptions used in the BDO Unibank Group's economic variable assumptions.

	2024			2023		
	Impact on ECL			Impact on ECL		
	Change in MEVs	Increase in MEVs	Decrease in MEVs	Change in MEVs	Increase in MEVs	Decrease in MEVs
Corporate or Commercial Loans:						
GDP growth rate	+/-1%	-3.80%	3.80%	+/-1%	-11.0%	11.0%
Inflation rate	+/-1%	0.43%	-0.74%	+/-1%	4.2%	-4.9%

	2024			2023		
	Change in MEVs	Impact on ECL		Change in MEVs	Impact on ECL	
		Increase in MEVs	Decrease in MEVs		Increase in MEVs	Decrease in MEVs
Credit Card Receivables or Personal Loans:						
GDP growth rate	+/-1%	-0.80%	0.80%	+/-1%	-1.6%	1.6%
Unemployment rate	+/-1%	2.33%	-2.33%	+/-1%	3.3%	-3.3%
Home/Housing Loans:						
GDP growth rate	+/-1%	-0.09%	0.09%	+/-1%	0.0%	0.0%
Inflation rate	+/-1%	0.14%	-0.24%	+/-1%	0.1%	-0.1%
Auto Loans:						
GDP growth rate	+/-1%	-0.45%	0.45%	+/-1%	-0.02%	0.02%
Unemployment rate	+/-1%	2.33%	-2.33%	+/-1%	1.4%	-1.4%

4.4 Operational Risk

Operational risk is the risk of loss due to the BDO Unibank Group's:

- failure to comply with defined 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 BDO Unibank Group manages its operational risks by instituting 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.

Framework

True to its commitment to sound management and corporate governance, the BDO Unibank Group considers operational risk management as a critical element in the conduct of its business. Under BDO Unibank Group's Operational Risk Management (ORM) framework, the BOD has the ultimate responsibility for providing leadership in the management of operational risk in BDO Unibank Group.

The RMG provides the common risk language and management tools across the BDO Unibank Group as well as monitors the implementation of the ORM framework and policies. The business process owners, as risk owners, are responsible for identifying, assessing and limiting the impact of risk in their businesses/operations.

The BDO Unibank Group continues to conduct periodic Risk and Control Self-Assessment (RCSA) so that business process owners could document both their operational risks and control mechanisms they have put in place to manage those risks. This ORM tool allows the BDO Unibank Group 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.

The BDO Unibank Group also continues to use Key Risk Indicators (KRI) as alerts for operational risk vulnerabilities. Reporting of top KRIs to the BOD through the RMC is done quarterly.

The BDO Unibank Group likewise uses Loss Data Collection, Analysis and Reporting that allows the BDO Unibank Group to gather data per Basel loss event category across business lines. The collected data are processed for information and appropriate escalation, root cause analysis, control effectiveness and enables action plans to prevent recurrence.

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 BDO Unibank Group's RCSAs, KRIs and operational losses. 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 BDO Unibank Group'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 BDO Unibank Group'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 BDO Unibank Group'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 BDO Unibank Group's Day-to-day operations. These include Environmental Consciousness, Occupational Health and Safety, and Community Health and Safety.

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

4.5 Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the BDO Unibank Group faces under such contracts is that the actual claims and benefits payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated, and subsequent development of long-term claims.

(a) Terms and Conditions

The BDO Unibank Group principally writes life insurance where the life of the policyholder is insured against death, illness, injury or permanent disability, usually for a predetermined amount. Life insurance contracts offered by the BDO Unibank Group mainly include whole life, term insurance, endowments, VUL products, group life insurance, and accident and health insurance.

(b) Underwriting risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk – risk of loss arising from the policyholder's death experience being higher than expected.
- Morbidity risk – risk of loss arising from the policyholder's health experience being higher than expected.
- Expense risk – risk of loss arising from expense experience being higher than expected.

- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

Underwriting guidelines and limits for insurance and reinsurance contracts are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting risks, the BDO Unibank Group's Actuarial Department regularly assesses the adequacy of the insurance premiums and technical provisions. The risks of defaults by reinsurers are mitigated as the BDO Unibank Group only deals with accredited reinsurers. Additionally, provisions for known and unknown liabilities arising from the BDO Unibank Group's commitments are calculated using prudent actuarial methods.

The main underwriting strategies of the BDO Unibank Group to control risk are the use of reinsurance and the controlled granting of non-medical authority (NMA) to the sales force. The NMA is being given only to members of the sales force who either qualify by virtue of field experience or by passing a certain underwriting and training program. Actual experience is closely monitored and corrective actions are executed whenever necessary.

The BDO Unibank Group utilizes surplus reinsurance programs to manage its mortality risk from large fluctuations in claim experience.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering (AML) Program of the BDO Unibank Group and the Parent Bank is articulated in the Board-approved Money Laundering, Terrorist Financing and Proliferation Financing Prevention Program (MTPP) Manual. 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 clients and their transactions; (iv) regulatory reporting; (v) record-keeping; (vi) training of all officers and staff including the BOD; (vii) Independent Compliance Testing (ICT); and, (viii) Institutional Risk Assessment.

For AML transaction monitoring and end-to-end AML investigation, the Parent Bank has made substantial investments in a robust AML Solution (SAS EAML 8.2) that continues to be deployed in phases in the Parent Bank, and in a similar fashion across the enterprise. This system also facilitates the preparation and filing of regulatory reports required under the AMLC Registration and Reporting Guidelines (ARRG), and will be further enhanced to ensure compliance with the recently issued AMLC Guidelines on Transaction Reporting and Compliance Submissions (GoTRACS).

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

4.7 Maturity Profile of Resources and Liabilities

The table below presents the maturity profile of resources and liabilities analyzed according to whether these are expected to be recovered or settled in less than 12 months and over 12 months from statement of financial position date:

		2024			2023		
		Within 12 Months	Beyond 12 Months	Total	Within 12 Months	Beyond 12 Months	Total
BDO Unibank Group							
Resources							
Cash and other cash items	P	109,744	P -	P 109,744	P 94,278	P -	P 94,278
Due from BSP and other banks		340,041	-	340,041	421,050	-	421,050
Trading and investment securities		190,884	685,224	876,108	216,151	608,656	824,807
Loans and other receivables - net		1,128,526	2,143,992	3,272,518	962,161	1,919,784	2,881,945
Premises, furniture, fixtures, and equipment - net	-	-	54,204	54,204	-	48,085	48,085
Investment properties - net	-	-	33,825	33,825	-	42,429	42,429
Equity investments - net	-	-	4,711	4,711	-	3,879	3,879
Investment securities and other assets for life insurance contracts – net		8,181	113,730	121,911	10,530	105,071	115,601
Other resources - net		18,663	44,325	62,988	18,808	26,779	45,587
		P 1,796,039	P 3,080,011	P 4,876,050	P 1,722,978	P 2,754,683	P 4,477,661
Liabilities							
Deposit liabilities	P	3,743,846	P 50,181	P 3,794,027	P 3,499,775	P 67,775	P 3,567,550
Bills payable		141,793	119,677	261,470	111,913	77,669	189,582
Insurance contract and other liabilities for life insurance contracts		8,801	82,670	91,471	7,578	74,943	82,521
Other liabilities		131,884	19,803	151,687	100,017	19,437	119,454
		P 4,026,324	P 272,331	P 4,298,655	P 3,719,283	P 239,824	P 3,959,107
Parent Bank							
Resources							
Cash and other cash items	P	105,767	P -	P 105,767	P 91,635	P -	P 91,635
Due from BSP and other banks		324,326	-	324,326	409,219	-	409,219
Trading and investment securities		182,941	657,047	839,988	206,190	581,501	787,691
Loans and other receivables - net		1,121,265	2,047,492	3,168,757	955,510	1,854,037	2,809,547
Premises, furniture, fixtures, and equipment - net	-	-	49,299	49,299	-	43,878	43,878
Investment properties - net	-	-	29,796	29,796	-	13,408	13,408
Equity investments - net	-	-	66,150	66,150	-	70,832	70,832
Other resources - net		18,573	38,542	57,115	12,981	23,456	36,437
		P 1,752,872	P 2,888,326	P 4,641,198	P 1,675,535	P 2,587,112	P 4,262,647
Liabilities							
Deposit liabilities	P	3,637,577	P 48,475	P 3,686,052	P 3,411,696	P 65,171	P 3,476,867
Bills payable		130,064	110,224	240,288	99,547	68,441	167,988
Other liabilities		123,563	15,980	139,543	91,577	16,018	107,595
		P 3,891,204	P 174,679	P 4,065,883	P 3,602,820	P 149,630	P 3,752,450

5. CAPITAL MANAGEMENT

5.1 Capital Management and Regulatory Capital

The Internal Capital Adequacy Assessment Process (ICAAP) document, as required by the BSP, articulates BDO Unibank Group's capital planning strategy and discusses governance, risk assessment, capital assessment and planning, capital adequacy monitoring and reporting, as well as internal control reviews. The Bank likewise incorporates sensitivity analysis and contingency planning, and has set benchmarks that will trigger management action when necessary. Annually as required, BDO Unibank Group submits its updated ICAAP to the BSP.

In implementing current capital requirements, the BSP requires BDO Unibank Group 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 was amended on January 1, 2019, which requires BDO Unibank Group to maintain:

- (a) Common Equity Tier 1 (CET 1) of at least 6.0% 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 10.0% of risk-weighted assets;
- (d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET 1 Capital; and,
- (e) Countercyclical Capital Buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%.

The regulatory capital is analyzed as CET 1 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.

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

Under BSP Circular No. 854, universal banks with more than 100 branches are required to comply with the minimum capital requirement of P20 billion. As of December 31, 2024 and 2023, the Parent Bank has complied, and is well above the minimum capitalization requirement.

BSP issued Circular No. 856 on the guidelines on the framework for dealing with domestically important banks (DSIB) that is consistent with the Basel principles, as amended by BSP Circular No. 1051 dated September 27, 2019. Banks, which are identified as DSIB, shall be required to have a higher loss absorbency (HLA) depending on their computed systemic importance. The HLA requirement is aimed at ensuring that DSIBs have a higher share of their statements of financial position funded by instruments, which increase their resilience as a going concern. The HLA requirement is to be met with CET 1 capital.

Under BSP Circular No. 1051, banks identified by the BSP as DSIB are required to put up lower HLA to meet the CET 1 capital ranging from 1.50% to 2.50%, effective October 17, 2019.

BSP Circular No. 1024 requires banks to put up a CCyB, which is set initially at 0%, composed of CET 1. CCyB may be subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. This took effect on January 4, 2019.

BDO Unibank Group and the Parent Bank's regulatory capital position (computed using balances prepared under PFRS Accounting Standards) based on the Basel 3 risk-based capital adequacy framework as of December 31, 2024 and 2023 as follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Tier 1 Capital				
CET 1	P 557,373	P 490,815	P 557,016	P 490,437
Additional Tier 1	6,180	6,180	6,180	6,180
	563,553	496,995	563,196	496,617
Tier 2 Capital	33,540	30,251	32,184	29,030
Total Regulatory Capital	597,093	527,246	595,380	525,647
Deductions	(60,926)	(55,664)	(95,159)	(89,251)
Total Qualifying Capital	P 536,167	P 471,582	P 500,221	P 436,396
Total Risk-Weighted Assets	P 3,520,956	P 3,163,658	P 3,365,717	P 3,025,832
Capital ratios:				
Total Capital Ratio	15.2%	14.9%	14.9%	14.4%
Tier 1 Capital Ratio	14.3%	14.0%	13.9%	13.5%
Total CET 1 Ratio	14.1%	13.8%	13.7%	13.3%

At the end of each reporting period, the BDO Unibank Group and the Parent Bank have complied and are all well above the prescribed ratio of qualifying capital to risk-weighted assets.

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

	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
BLR	10.3%	9.9%	9.8%	9.9%	9.4%	9.4%

5.3 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 BDO Unibank Group to maintain available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflows for a 30-day period under stress conditions. The BDO Unibank Group has fully complied with the LCR minimum requirement of 100% coverage effective January 1, 2019.

To strengthen the BDO Unibank Group'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 BDO Unibank Group and the Parent Bank's LCR as of December 31, 2024, 2023, and 2022 have been stable and are comfortably above the regulatory floor as summarized below.

	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
LCR	132.1%	123.2%	140.7%	134.1%	123.5%	141.2%

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 BDO Unibank Group's liquidity profile. The BDO Unibank Group has fully complied with the NSFR minimum requirement of 100% coverage effective January 1, 2019.

To promote long-term resilience against liquidity risk, the BDO Unibank Group 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 BDO Unibank Group and the Parent Bank's Basel III NSFR as of December 31, 2024, 2023 and 2022 have been stable and are comfortably above the regulatory floor as summarized below.

	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
NSFR	122.1%	124.1%	123.9%	122.1%	123.8%	123.5%

6. SEGMENT REPORTING

6.1 Business Segments

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

Management currently identifies BDO Unibank Group's five service lines as primary operating segments. In addition, minor operating segments, for which quantitative thresholds have not been met, as described in PFRS 8, *Operating Segments*, are combined as Others.

- (a) **Commercial banking** – handles the entire lending (corporate and consumer), trade financing and cash management services for corporate and retail customers;
- (b) **Investment banking** – provides services to corporate clients outside the traditional loan and deposit products. These services include loan syndications, underwriting and placing of debt and equity securities, financial advisory services, and securities brokerage;
- (c) **Private banking** – provides traditional and non-traditional investment and structured products to high net worth individuals and institutional accounts;
- (d) **Leasing and financing** – provides direct leases, sale and leaseback arrangements and real estate leases;

- (e) **Insurance** – engages in insurance brokerage and life insurance business by providing protection, education, savings, retirement and estate planning solutions to individual and corporate clients through life insurance products and services; and,
- (f) **Others** – includes remittance, holding, and realty management, none of which individually constitutes a separate reportable segment.

These segments are the basis on which BDO Unibank Group reports its segment information. Transactions between the segments are on normal commercial terms and conditions. Inter-segment transactions are eliminated in consolidation.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on BDO Unibank Group's cost of capital. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

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

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

6.2 Analysis of Segment Information

Segment information (by service lines) as of and for the years ended December 31, 2024, 2023 and 2022 are as follows:

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
December 31, 2024							
Revenues							
From external customer							
Interest income	P 269,538	P 92	P 1,285	P 883	P 4,499	P 242	P 276,539
Interest expense	(84,675)	(5)	(173)	(583)	7	(13)	(85,442)
Net interest income	<u>184,863</u>	<u>87</u>	<u>1,112</u>	<u>300</u>	<u>4,506</u>	<u>229</u>	<u>191,097</u>
Intersegment revenue							
Interest income	1,447	12	-	18	23	56	1,556
Interest expense	(234)	(92)	(47)	(524)	(588)	(128)	(1,613)
Net interest income	<u>1,213</u>	<u>(80)</u>	<u>(47)</u>	<u>(506)</u>	<u>(565)</u>	<u>(72)</u>	<u>(57)</u>
Other operating income							
Investment banking fees	-	2,432	-	-	-	-	2,432
Others	<u>70,988</u>	<u>387</u>	<u>1,915</u>	<u>2,732</u>	<u>22,996</u>	<u>559</u>	<u>99,577</u>
	<u>70,988</u>	<u>2,819</u>	<u>1,915</u>	<u>2,732</u>	<u>22,996</u>	<u>559</u>	<u>102,009</u>
Total net revenues	<u>257,064</u>	<u>2,826</u>	<u>2,980</u>	<u>2,526</u>	<u>26,937</u>	<u>716</u>	<u>293,049</u>
Expenses							
Other operating expenses							
Depreciation and amortization	10,999	86	121	989	328	87	12,610
Impairment losses	13,934	(1)	89	14	(7)	(3)	14,026
Others	<u>129,903</u>	<u>931</u>	<u>2,074</u>	<u>1,674</u>	<u>19,795</u>	<u>319</u>	<u>154,696</u>
	<u>154,836</u>	<u>1,016</u>	<u>2,284</u>	<u>2,677</u>	<u>20,116</u>	<u>403</u>	<u>181,332</u>
Segment operating income	102,228	1,810	696	(151)	6,821	313	111,717
Tax expense	<u>18,920</u>	<u>472</u>	<u>269</u>	<u>191</u>	<u>1,541</u>	<u>78</u>	<u>21,471</u>
Segment net income	<u>P 83,308</u>	<u>P 1,338</u>	<u>P 427</u>	<u>(P 342)</u>	<u>P 5,280</u>	<u>P 235</u>	<u>P 90,246</u>

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
December 31, 2024							
Statement of Financial Position							
Total Resources							
Segment assets	P 4,757,066	P 6,829	P 33,075	P 13,552	P 125,955	P 7,783	P 4,944,260
Deferred tax assets (liabilities) - net	57	(162)	14	14	124	(2)	45
Intangible assets	<u>8,038</u>	<u>90</u>	<u>116</u>	<u>-</u>	<u>79</u>	<u>1</u>	<u>8,324</u>
	<u>P 4,765,161</u>	<u>P 6,757</u>	<u>P 33,205</u>	<u>P 13,566</u>	<u>P 126,158</u>	<u>P 7,782</u>	<u>P 4,952,629</u>
Total liabilities	<u>P 4,174,130</u>	<u>P 1,670</u>	<u>P 25,821</u>	<u>P 11,878</u>	<u>P 100,307</u>	<u>P 2,383</u>	<u>P 4,316,189</u>
Other segment information							
Capital expenditures	<u>P 12,705</u>	<u>P 17</u>	<u>P 32</u>	<u>P 635</u>	<u>P 68</u>	<u>P 7</u>	<u>P 13,464</u>
Investment in associate under equity method	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 4,864</u>	<u>P 4,864</u>
Share in the profit of associates	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 1,397</u>	<u>P 1,397</u>
December 31, 2023							
Revenues							
From external customer							
Interest income	P 229,384	P 70	P 1,261	P 695	P 4,080	P 294	P 235,784
Interest expense	(58,810)	6	(147)	(373)	(69)	3	(59,390)
Net interest income	<u>170,574</u>	<u>76</u>	<u>1,114</u>	<u>322</u>	<u>4,011</u>	<u>297</u>	<u>176,394</u>
Intersegment revenue							
Interest income	1,055	11	-	-	35	90	1,191
Interest expense	(230)	(49)	(17)	(12)	(793)	(122)	(1,223)
Net interest income	<u>825</u>	<u>(38)</u>	<u>(17)</u>	<u>(12)</u>	<u>(758)</u>	<u>(32)</u>	<u>(32)</u>
Other Operating Income							
Investment banking fees	-	1,781	-	-	-	-	1,781
Others	<u>61,210</u>	<u>278</u>	<u>1,680</u>	<u>566</u>	<u>21,043</u>	<u>459</u>	<u>85,236</u>
	<u>61,210</u>	<u>2,059</u>	<u>1,680</u>	<u>566</u>	<u>21,043</u>	<u>459</u>	<u>87,017</u>
Total net revenues	<u>232,609</u>	<u>2,097</u>	<u>2,777</u>	<u>876</u>	<u>24,296</u>	<u>724</u>	<u>263,379</u>
Expenses							
Other operating expenses							
Depreciation and amortization	11,984	88	105	400	286	82	12,945
Impairment losses	16,365	1	6	-	18	6	16,396
Others	<u>114,816</u>	<u>1,017</u>	<u>1,573</u>	<u>267</u>	<u>17,903</u>	<u>365</u>	<u>135,941</u>
	<u>143,165</u>	<u>1,106</u>	<u>1,684</u>	<u>667</u>	<u>18,207</u>	<u>453</u>	<u>165,282</u>
Segment operating income	89,444	991	1,093	209	6,089	271	98,097
Tax expense	<u>21,361</u>	<u>306</u>	<u>305</u>	<u>50</u>	<u>1,525</u>	<u>74</u>	<u>23,621</u>
Segment net income	<u>P 68,083</u>	<u>P 685</u>	<u>P 788</u>	<u>P 159</u>	<u>P 4,564</u>	<u>P 197</u>	<u>P 74,476</u>
Statement of Financial Position							
Total Resources							
Segment assets	P 4,360,295	P 6,415	P 30,331	P 27,784	P 119,632	P 10,790	P 4,555,247
Deferred tax assets (liabilities) - net	2,133	(151)	12	(1,579)	81	(5)	491
Intangible assets	<u>8,205</u>	<u>52</u>	<u>142</u>	<u>1</u>	<u>53</u>	<u>-</u>	<u>8,453</u>
	<u>P 4,370,633</u>	<u>P 6,316</u>	<u>P 30,485</u>	<u>P 26,206</u>	<u>P 119,766</u>	<u>P 10,785</u>	<u>P 4,564,191</u>
Total liabilities	<u>P 3,847,611</u>	<u>P 1,857</u>	<u>P 23,512</u>	<u>P 17,563</u>	<u>P 97,739</u>	<u>P 2,296</u>	<u>P 3,990,578</u>
Other segment information							
Capital expenditures	<u>P 8,734</u>	<u>P 10</u>	<u>P 15</u>	<u>P 618</u>	<u>P 626</u>	<u>P 26</u>	<u>P 10,029</u>
Investment in associate under equity method	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 4,032</u>	<u>P 4,032</u>
Share in the profit of associates	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 1,273</u>	<u>P 1,273</u>

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
<u>December 31, 2022</u>							
Revenues							
From external customer							
Interest income	P 159,983	P 53	P 1,156	P 629	P 2,587	(P 1)	P 164,407
Interest expense	(22,567)	(11)	(86)	(199)	(76)	4	(22,935)
Net interest income	<u>137,416</u>	<u>42</u>	<u>1,070</u>	<u>430</u>	<u>2,511</u>	<u>3</u>	<u>141,472</u>
Intersegment revenue							
Interest income	182	2	-	-	6	72	262
Interest expense	(121)	(33)	(16)	(18)	(54)	(67)	(309)
Net interest income	<u>61</u>	<u>(31)</u>	<u>(16)</u>	<u>(18)</u>	<u>(48)</u>	<u>5</u>	<u>(47)</u>
Other Operating Income							
Investment banking fees	-	2,856	-	-	-	-	2,856
Others	<u>54,066</u>	<u>245</u>	<u>1,667</u>	<u>651</u>	<u>21,331</u>	<u>600</u>	<u>78,560</u>
	<u>54,066</u>	<u>3,101</u>	<u>1,667</u>	<u>651</u>	<u>21,331</u>	<u>600</u>	<u>81,416</u>
Total net revenues	<u>191,543</u>	<u>3,112</u>	<u>2,721</u>	<u>1,063</u>	<u>23,794</u>	<u>608</u>	<u>222,841</u>
Expenses							
Other operating expenses							
Depreciation and amortization	9,091	85	85	418	296	82	10,057
Impairment losses	16,321	1	(1)	20	26	3	16,370
Others	<u>94,043</u>	<u>1,030</u>	<u>1,315</u>	<u>298</u>	<u>18,340</u>	<u>347</u>	<u>115,373</u>
	<u>119,455</u>	<u>1,116</u>	<u>1,399</u>	<u>736</u>	<u>18,662</u>	<u>432</u>	<u>141,800</u>
Segment operating income	72,088	1,996	1,322	327	5,132	176	81,041
Tax expense	<u>13,961</u>	<u>592</u>	<u>120</u>	<u>88</u>	<u>1,156</u>	<u>42</u>	<u>15,959</u>
Segment net income	<u>P 58,127</u>	<u>P 1,404</u>	<u>P 1,202</u>	<u>P 239</u>	<u>P 3,976</u>	<u>P 134</u>	<u>P 65,082</u>
Statement of Financial Position							
Total Resources							
Segment assets	P 3,975,178	P 8,071	P 36,985	P 8,515	P 92,672	P 10,505	P 4,131,926
Deferred tax assets (liabilities) - net	5,466	(173)	15	17	43	(13)	5,355
Intangible assets	<u>6,908</u>	<u>65</u>	<u>170</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>7,175</u>
	<u>P 3,987,552</u>	<u>P 7,963</u>	<u>P 37,170</u>	<u>P 8,532</u>	<u>P 92,747</u>	<u>P 10,492</u>	<u>P 4,144,456</u>
Total liabilities	<u>P 3,516,144</u>	<u>P 4,112</u>	<u>P 31,151</u>	<u>P 7,154</u>	<u>P 74,067</u>	<u>P 2,205</u>	<u>P 3,634,833</u>
Other segment information							
Capital expenditures	<u>P 6,794</u>	<u>P 31</u>	<u>P 7</u>	<u>P 585</u>	<u>P 1,160</u>	<u>P 36</u>	<u>P 8,613</u>
Investment in associate under equity method	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 5,654</u>	<u>P 5,654</u>
Share in the profit of associates	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 849</u>	<u>P 849</u>

6.3 Reconciliation

Presented below and in the succeeding page is a reconciliation of the BDO Unibank Group's segment information to the key financial information presented in its consolidated financial statements.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenue			
Total segment net revenues	P 293,049	P 263,379	P 222,841
Expenses of insurance operations presented as part of income attributable to insurance operations - net	(18,049)	(16,337)	(16,849)
Elimination of intersegment revenues	(10,666)	(2,968)	(9,833)
Net revenues as reported in profit or loss	<u>P 264,334</u>	<u>P 244,074</u>	<u>P 196,159</u>
Profit or loss			
Total segment net income	P 90,246	P 74,476	P 65,082
Elimination of intersegment profit	(8,026)	(916)	(7,848)
Net profit as reported in profit or loss	<u>P 82,220</u>	<u>P 73,560</u>	<u>P 57,234</u>

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Resources			
Total segment resources	P 4,952,629	P 4,564,191	P 4,144,456
Elimination of intersegment assets	(76,579)	(86,530)	(69,748)
Total resources	<u>P 4,876,050</u>	<u>P 4,477,661</u>	<u>P 4,074,708</u>
Liabilities			
Total segment liabilities	P 4,316,189	P 3,990,578	P 3,634,833
Elimination of intersegment liabilities	(17,534)	(31,471)	(21,582)
Total liabilities	<u>P 4,298,655</u>	<u>P 3,959,107</u>	<u>P 3,613,251</u>

7. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

7.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities as of December 31 that are presented in the statements of financial position are shown below and in the succeeding page.

BDO Unibank Group					
		2024		2023	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
At amortized cost:					
Cash and other cash items	P	109,744	P 109,744	P 94,278	P 94,278
Due from BSP		249,593	249,593	335,076	335,077
Due from other banks		90,448	90,485	85,974	86,032
Investment securities at amortized cost		576,591	557,019	575,986	556,721
Loans and other receivables		3,276,148	3,271,396	2,886,028	2,903,715
Other resources		<u>11,803</u>	<u>11,803</u>	<u>14,961</u>	<u>14,961</u>
		<u>4,314,327</u>	<u>4,290,040</u>	<u>3,992,303</u>	<u>3,990,784</u>
At fair value:					
Investment securities at FVTPL		64,001	64,001	47,220	47,220
Investment securities at FVOCI		<u>349,528</u>	<u>349,528</u>	<u>308,680</u>	<u>308,680</u>
		<u>413,529</u>	<u>413,529</u>	<u>355,900</u>	<u>355,900</u>
	P	<u>4,727,856</u>	P <u>4,703,569</u>	P <u>4,348,203</u>	P <u>4,346,684</u>
Financial Liabilities					
At amortized cost:					
Deposit liabilities	P	3,794,027	P 3,801,843	P 3,567,550	P 3,576,455
Bills payable		261,470	260,914	189,582	188,421
Insurance contract liabilities		86,170	86,170	77,210	77,210
Other liabilities		<u>138,273</u>	<u>138,273</u>	<u>109,633</u>	<u>109,633</u>
		4,279,940	4,287,200	3,943,975	3,951,719
At fair value –					
Other liabilities		<u>6,361</u>	<u>6,361</u>	<u>5,139</u>	<u>5,139</u>
	P	<u>4,286,301</u>	P <u>4,293,561</u>	P <u>3,949,114</u>	P <u>3,956,858</u>

	Parent Bank			
	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and other cash items	P 105,767	P 105,767	P 91,635	P 91,635
Due from BSP	246,815	246,815	332,428	332,429
Due from other banks	77,511	77,542	76,791	76,846
Investment securities at amortized cost	556,125	536,831	554,643	535,742
Loans and other receivables	3,168,757	3,169,449	2,809,547	2,827,453
Other resources	<u>11,462</u>	<u>11,462</u>	<u>10,088</u>	<u>10,088</u>
	<u>4,166,437</u>	<u>4,147,866</u>	<u>3,875,132</u>	<u>3,874,193</u>
At fair value:				
Investment securities at FVTPL	21,974	21,974	8,469	8,469
Investment securities at FVOCI	<u>261,889</u>	<u>261,889</u>	<u>224,579</u>	<u>224,579</u>
	<u>283,863</u>	<u>283,863</u>	<u>233,048</u>	<u>233,048</u>
	<u>P 4,450,300</u>	<u>P 4,431,729</u>	<u>P 4,108,180</u>	<u>P 4,107,241</u>
Financial Liabilities				
At amortized cost:				
Deposit liabilities	P 3,686,052	P 3,687,771	P 3,476,867	P 3,479,618
Bills payable	240,288	239,852	167,988	167,070
Other liabilities	<u>125,956</u>	<u>125,956</u>	<u>97,650</u>	<u>97,650</u>
	<u>4,052,296</u>	<u>4,053,579</u>	<u>3,742,505</u>	<u>3,744,338</u>
At fair value –				
Other liabilities	<u>3,090</u>	<u>3,090</u>	<u>1,859</u>	<u>1,859</u>
	<u>P 4,055,386</u>	<u>P 4,056,669</u>	<u>P 3,744,364</u>	<u>P 3,746,197</u>

Net income (loss) contributed by financial assets at FVTPL recognized in the BDO Unibank Group's statement of income under Interest Income, Other Operating Income and Income Attributable to Insurance Operations – Net, amounted to P329, P1,350 and (P918) in 2024, 2023 and 2022, respectively.

Gain (loss) on disposal of FVOCI debt securities recognized BDO Unibank Group's statement of income under Other Operating Income and Income Attributable to Insurance Operations – Net amounted P90, (P39) and P44 in 2024, 2023 and 2022, respectively.

Income from equity instruments designated at FVOCI recognized in the BDO Unibank Group's statement of income under Other Operating Income and Income Attributable to Insurance Operations – Net, amounted to P162, P106 and P81 in 2024, 2023 and 2022, respectively.

Interest income from debt instruments recognized in the BDO Unibank Group's statement of income under Interest Income and Income Attributable to Insurance Operations – Net, amounted to P19,658, P14,272 and P7,275 in 2024, 2023 and 2022, respectively for debt instruments at FVOCI and P26,908, P23,117 and P17,490 in 2024, 2023 and 2022, respectively for debt instruments at amortized cost.

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

7.3 Financial Instruments Measured at Fair Value

The financial assets and financial liabilities as of December 31, 2024 and 2023 are grouped into the fair value hierarchy as presented in the succeeding pages.

Unquoted equity securities consist of preferred and common shares of various unlisted local companies.

BDO Unibank Group

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2024</u>					
Resources:					
Financial assets at FVTPL:	10.1, 16.1				
Equity securities - quoted		P 27,501	P 1,068	P -	P 28,569
Government debt securities		16,391	6,261	-	22,652
Corporate debt securities		145	4,344	-	4,489
Derivative financial assets		-	8,291	-	8,291
		<u>44,037</u>	<u>19,964</u>	<u>-</u>	<u>64,001</u>
Financial assets at FVOCI:	10.2, 16.1				
Government debt securities		P 227,175	P 52,471	P -	P 279,646
Corporate debt securities		29,807	31,465	-	61,272
Equity securities - quoted		7,781	565	-	8,346
Equity securities - not quoted		<u>79</u>	<u>80</u>	<u>105</u>	<u>264</u>
		<u>264,842</u>	<u>84,581</u>	<u>105</u>	<u>349,528</u>
		<u>P 308,879</u>	<u>P 104,545</u>	<u>P 105</u>	<u>P 413,529</u>
Liabilities –					
Derivatives with negative fair values	21	<u>P 101</u>	<u>P 6,260</u>	<u>P -</u>	<u>P 6,361</u>
<u>December 31, 2023</u>					
Financial assets at FVTPL:	10.1, 16.1				
Equity securities - quoted		P 24,824	P 1,187	P -	P 26,011
Government debt securities		8,763	2,444	-	11,207
Corporate debt securities		668	3,264	-	3,932
Derivative financial assets		-	6,070	-	6,070
		<u>34,255</u>	<u>12,965</u>	<u>-</u>	<u>47,220</u>
Financial assets at FVOCI:	10.2, 16.1				
Government debt securities		202,683	36,966	-	239,649
Corporate debt securities		35,566	28,649	-	64,215
Equity securities - quoted		4,215	447	-	4,662
Equity securities - not quoted		<u>-</u>	<u>112</u>	<u>42</u>	<u>154</u>
		<u>242,464</u>	<u>66,174</u>	<u>42</u>	<u>308,680</u>
		<u>P 276,719</u>	<u>P 79,139</u>	<u>P 42</u>	<u>P 355,900</u>
Liabilities –					
Derivatives with negative fair values	21	<u>P 97</u>	<u>P 5,042</u>	<u>P -</u>	<u>P 5,139</u>

Parent Bank

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2024</u>					
Resources:					
Financial assets at FVTPL:	10.1				
Government debt securities		P 11,004	P 6,050	P -	P 17,054
Derivative financial assets		-	4,633	-	4,633
Corporate debt securities		105	181	-	286
Equity securities - quoted		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
		<u>11,110</u>	<u>10,864</u>	<u>-</u>	<u>21,974</u>
Financial assets at FVOCI:	10.2				
Government debt securities		155,004	50,419	-	205,423
Corporate debt securities		23,774	30,776	-	54,550
Equity securities - quoted		1,206	564	-	1,770
Equity securities - not quoted		<u>79</u>	<u>67</u>	<u>-</u>	<u>146</u>
		<u>180,063</u>	<u>81,826</u>	<u>-</u>	<u>261,889</u>
		<u>P 191,173</u>	<u>P 92,690</u>	<u>P -</u>	<u>P 283,863</u>
Liabilities –					
Derivatives with negative fair values	21	<u>P 101</u>	<u>P 2,989</u>	<u>P -</u>	<u>P 3,090</u>
<u>December 31, 2023</u>					
Resources:					
Financial assets at FVTPL:	10.1				
Government debt securities		P 3,947	P 2,231	P -	P 6,178
Derivative financial assets		-	2,157	-	2,157
Corporate debt securities		44	89	-	133
Equity securities - quoted		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
		<u>3,992</u>	<u>4,477</u>	<u>-</u>	<u>8,469</u>
Financial assets at FVOCI:	10.2				
Government debt securities		134,115	35,329	-	169,444
Corporate debt securities		25,624	27,939	-	53,563
Equity securities - quoted		1,024	448	-	1,472
Equity securities - not quoted		<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
		<u>160,763</u>	<u>63,816</u>	<u>-</u>	<u>224,579</u>
		<u>P 164,755</u>	<u>P 68,293</u>	<u>P -</u>	<u>P 233,048</u>
Liabilities –					
Derivatives with negative fair values	21	<u>P 97</u>	<u>P 1,762</u>	<u>P -</u>	<u>P 1,859</u>

There have been no significant transfers among Levels 1 and 2 in the reporting periods.

Discussed below and in the succeeding page is the information about how fair values of the BDO Unibank Group and the Parent Bank's classes of financial assets are determined.

(a) Equity securities

- (i) Quoted equity securities classified as financial assets at FVTPL or financial assets at FVOCI have fair values that were determined based on their closing prices on the PSE. These instruments are included in Level 1.

Financial assets at FVTPL included in Level 2 pertain to investments in Unit Investment Trust Funds (UITFs). The fair value of these financial assets were derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period), as published by banks and the Investment Company Association of the Philippines.

Golf club shares classified as financial assets at FVOCI are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

- (ii) Unquoted equity securities consist of preferred shares and common shares of various unlisted local companies. For unquoted preferred shares, the 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. Further, unlisted common share which are classified as financial assets at FVOCI securities, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. These instruments are included in Level 3.

(b) Debt securities

The fair value of the debt securities of BDO Unibank Group and the Parent Bank, which are categorized within Level 1 and Level 2, is discussed below.

- (i) Fair values of peso-denominated 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.

(c) Derivatives

The fair values of Republic of the Philippines (ROP) warrants which are categorized within Level 1, is determined to be the current mid-price based on the last trading transaction as defined by third-party market makers. The fair value of other derivative financial instruments, which are categorized within Level 2, is determined through valuation techniques using the net present value computation [see Note 3.2(c)].

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

The tables below and in the succeeding pages summarize the fair value hierarchy of the BDO Unibank Group and the Parent Bank's financial assets and financial liabilities which are measured at amortized cost in the statements of financial position but for which fair value is disclosed.

BDO Unibank Group

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2024</u>				
Resources:				
Cash and other cash items	P 109,744	P -	P -	P 109,744
Due from BSP	249,593	-	-	249,593
Due from other banks	90,485	-	-	90,485
Investment securities at amortized cost	288,390	268,350	279	557,019
Loans and other receivables	-	-	3,271,396	3,271,396
Other resources	<u>10,304</u>	<u>-</u>	<u>1,499</u>	<u>11,803</u>
	<u>P 748,516</u>	<u>P 268,350</u>	<u>P 3,273,174</u>	<u>P 4,290,040</u>
Liabilities:				
Deposit liabilities	P -	P -	P 3,801,843	P 3,801,843
Bills payable	-	168,710	92,204	260,914
Insurance Contract Liabilities	-	-	86,170	86,170
Other liabilities	<u>-</u>	<u>-</u>	<u>138,273</u>	<u>138,273</u>
	<u>P -</u>	<u>P 168,710</u>	<u>P 4,118,490</u>	<u>P 4,287,200</u>

December 31, 2023

Resources:				
Cash and other cash items	P 94,278	P -	P -	P 94,278
Due from BSP	335,077	-	-	335,077
Due from other banks	86,032	-	-	86,032
Investment securities at amortized cost	314,162	240,408	2,151	556,721
Loans and other receivables	-	-	2,903,715	2,903,715
Other resources	<u>8,989</u>	<u>-</u>	<u>5,972</u>	<u>14,961</u>
	<u>P 838,538</u>	<u>P 240,408</u>	<u>P 2,911,838</u>	<u>P 3,990,784</u>
Liabilities:				
Deposit liabilities	P -	P -	P 3,576,455	P 3,576,455
Bills payable	-	99,264	89,157	188,421
Insurance contract liabilities	-	-	77,210	77,210
Other liabilities	<u>-</u>	<u>-</u>	<u>109,633</u>	<u>109,633</u>
	<u>P -</u>	<u>P 99,264</u>	<u>P 3,852,455</u>	<u>P 3,951,719</u>

Parent Bank

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2024</u>				
Resources:				
Cash and other cash items	P 105,767	P -	P -	P 105,767
Due from BSP	246,815	-	-	246,815
Due from other banks	77,542	-	-	77,542
Investment securities at amortized cost	277,562	259,269	-	536,831
Loans and other receivables	-	-	3,169,449	3,169,449
Other resources	<u>10,301</u>	<u>-</u>	<u>1,161</u>	<u>11,462</u>
	<u>P 717,987</u>	<u>P 259,269</u>	<u>P 3,170,610</u>	<u>P 4,147,866</u>
Liabilities:				
Deposit liabilities	P -	P -	P 3,687,771	P 3,687,771
Bills payable	-	168,710	71,142	239,852
Other liabilities	<u>-</u>	<u>-</u>	<u>125,956</u>	<u>125,956</u>
	<u>P -</u>	<u>P 168,710</u>	<u>P 3,884,869</u>	<u>P 4,053,579</u>
<u>December 31, 2023</u>				
Resources:				
Cash and other cash items	P 91,635	P -	P -	P 91,635
Due from BSP	332,429	-	-	332,429
Due from other banks	76,846	-	-	76,846
Investment securities at amortized cost	301,387	234,355	-	535,742
Loans and other receivables	-	-	2,827,453	2,827,453
Other resources	<u>8,987</u>	<u>-</u>	<u>1,101</u>	<u>10,088</u>
	<u>P 811,284</u>	<u>P 234,355</u>	<u>P 2,828,554</u>	<u>P 3,874,193</u>
Liabilities:				
Deposit liabilities	P -	P -	P 3,479,618	P 3,479,618
Bills payable	-	99,264	67,806	167,070
Other liabilities	<u>-</u>	<u>-</u>	<u>97,650</u>	<u>97,650</u>
	<u>P -</u>	<u>P 99,264</u>	<u>P 3,645,074</u>	<u>P 3,744,338</u>

For financial assets 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 assets and financial liabilities presented in the statements of financial position at their amortized cost.

(a) *Cash and Other Cash Items*

Cash consists primarily of funds in the form of Philippine currency notes and coins in the BDO Unibank Group and the Parent Bank's vault and those in the possession of tellers, including automated teller machines (see Note 8).

Other cash items includes cash items other than currency and coins on hand (see Note 17) such as checks drawn on the other banks or other branches that were received after the BDO Unibank Group and the Parent Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) *Due from BSP and Other Banks*

Due from BSP pertains to deposits made by BDO Unibank Group to the BSP for clearing and reserve requirements. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(c) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost is 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. 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; hence categorized as Level 1 or Level 2.

(d) *Loans and Other Receivables*

Loans and other receivables are net of provisions for impairment. 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.

(e) *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 is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The fair value of Bills Payable under Level 2 is computed based on the average of ask and bid prices as appearing on Bloomberg. For Bills Payable categorized within Level 3, the BDO Unibank Group and the Parent 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.

(f) *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.

7.5 Fair Value Measurement for Non-financial Assets

Details of BDO Unibank Group and Parent Bank's investment properties and the information about the fair value hierarchy as of December 31, 2024 and 2023 are shown below.

	BDO Unibank Group				Parent Bank			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
December 31, 2024								
Investment properties:								
Land	P -	P -	P 36,325	P 36,325	P -	P -	P 28,782	P 28,782
Building and improvements	-	-	35,707	35,707	-	-	30,493	30,493
Non-current assets held for sale	-	-	1,185	1,185	-	-	1,185	1,185
	<u>P -</u>	<u>P -</u>	<u>P 73,217</u>	<u>P 73,217</u>	<u>P -</u>	<u>P -</u>	<u>P 60,460</u>	<u>P 60,460</u>
December 31, 2023								
Investment properties:								
Land	P -	P -	P 32,118	P 32,118	P -	P -	P 24,184	P 24,184
Building and improvements	-	-	20,181	20,181	-	-	14,813	14,813
Non-current assets held for sale	-	-	1,238	1,238	-	-	1,238	1,238
	<u>P -</u>	<u>P -</u>	<u>P 53,537</u>	<u>P 53,537</u>	<u>P -</u>	<u>P -</u>	<u>P 40,235</u>	<u>P 40,235</u>

The fair value of the investment properties of the BDO Unibank Group and the Parent Bank as of December 31, 2024 and 2023 (see Note 14) was determined on the basis of a valuation carried out on the respective dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the BDO Unibank Group and the Parent Bank with respect to determination of the inputs such as size, age and condition of the land and buildings and the comparable prices in the corresponding property location.

In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in its highest and best use. Based on management's assessment, the best use of the investment properties of the BDO Unibank Group and the Parent Bank indicated above is their current use. The fair value discussed above as determined by the appraisers were used by the BDO Unibank Group and the Parent Bank in determining the fair value of investment properties and non-current assets held for sale.

The fair value of these investment properties and assets held for sale was determined based on the following approaches:

(a) Fair Value Measurement for Land

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

(b) *Fair Value Measurement for Buildings and Improvements*

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

(c) *Fair Value Measurement for Assets Held for Sale*

The fair value of assets held for sale is determined based on the recent experience in the valuation of similar properties. The fair value, determined under Level 3 measurement, was derived using the market data approach that reflects that recent transaction prices for similar properties, adjusted for differences in property age and condition.

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

7.6 *Offsetting Financial Assets and Financial Liabilities*

Certain financial assets of the BDO Unibank Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2024 and 2023 are subject to offsetting, enforceable master netting arrangements and similar agreements.

BDO Unibank Group

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		
		Financial instruments	Collateral received	Net amount
<u>December 31, 2024</u>				
Loans and other receivables - net	P 3,272,518	P -	(P 8,682)	P 3,263,836
Trading and investment securities - net	876,108	(15,030)	-	861,078
	<u>P 4,148,626</u>	<u>(P 15,030)</u>	<u>(P 8,682)</u>	<u>P 4,124,914</u>
<u>December 31, 2023</u>				
Loans and other receivables - net	P 2,881,945	P -	(P 6,226)	P 2,875,719
Trading and investment securities - net	824,807	(16,381)	-	808,426
	<u>P 3,706,752</u>	<u>(P 16,381)</u>	<u>(P 6,226)</u>	<u>P 3,684,145</u>

Parent Bank

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		
		Financial instruments	Collateral received	Net amount
December 31, 2024				
Loans and other receivables - net	P 3,168,757	P -	(P 8,672)	P 3,160,085
Trading and investment securities - net	<u>839,988</u>	(<u>13,185</u>)	<u>-</u>	<u>826,803</u>
	<u>P 4,008,745</u>	(<u>P 13,185</u>)	(<u>P 8,672</u>)	<u>P 3,986,888</u>
December 31, 2023				
Loans and other receivables - net	P 2,809,547	P -	(P 5,672)	P 2,803,875
Trading and investment securities - net	<u>787,691</u>	(<u>14,560</u>)	<u>-</u>	<u>773,131</u>
	<u>P 3,597,238</u>	(<u>P 14,560</u>)	(<u>P 5,672</u>)	<u>P 3,577,006</u>

Included in the trading and investment securities - net are the currency forwards and interest rate swaps with accrued interest receivable and accrued interest payable subject to enforceable master netting arrangements but were not set-off and presented at gross in the statements of financial position.

Certain financial liabilities with net amounts presented in the statements of financial position of the BDO Unibank Group and the Parent Bank are subject to offsetting, enforceable master netting arrangements and similar agreements.

BDO Unibank Group

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		
		Financial instruments	Collateral received	Net amount
December 31, 2024				
Deposit liabilities	P 3,794,027	(P 8,682)	P -	P 3,785,345
Bills payable	261,470	-	(13,723)	247,747
Other liabilities	<u>151,687</u>	<u>685</u>	<u>-</u>	<u>152,372</u>
	<u>P 4,207,184</u>	(<u>P 7,997</u>)	(<u>P 13,723</u>)	<u>P 4,185,464</u>
December 31, 2023				
Deposit liabilities	P 3,567,550	(P 6,226)	P -	P 3,561,324
Bills payable	189,582	-	(15,080)	174,502
Other liabilities	<u>119,454</u>	(<u>888</u>)	<u>-</u>	<u>118,566</u>
	<u>P 3,876,586</u>	(<u>P 7,114</u>)	(<u>P 15,080</u>)	<u>P 3,854,392</u>

Parent Bank

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
		Financial instruments	Collateral received	
December 31, 2024				
Deposit liabilities	P 3,686,052	(P 8,672)	P -	P 3,677,380
Bills payable	240,288	-	(13,155)	227,133
Other liabilities	<u>139,543</u>	<u>31</u>	<u>-</u>	<u>139,574</u>
	P 4,065,883	(P 8,641)	(P 13,155)	P 4,044,087
December 31, 2023				
Deposit liabilities	P 3,476,867	(P 5,672)	P -	P 3,471,195
Bills payable	167,988	-	(14,500)	153,488
Other liabilities	<u>107,595</u>	<u>(60)</u>	<u>-</u>	<u>107,535</u>
	P 3,752,450	(P 5,732)	(P 14,500)	P 3,732,218

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

8. CASH AND BALANCES WITH THE BSP

These accounts are composed of the following:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Cash and other cash items	P 109,744	P 94,278	P 105,767	P 91,635
Due from BSP:				
Mandatory reserves	217,803	281,591	216,856	279,263
Other than mandatory reserves	<u>31,790</u>	<u>53,485</u>	<u>29,959</u>	<u>53,165</u>
	<u>249,593</u>	<u>335,076</u>	<u>246,815</u>	<u>332,428</u>
	P 359,337	P 429,354	P 352,582	P 424,063

Mandatory reserves represent the balance of the deposit accounts maintained with the BSP to meet reserve requirements and to serve as clearing accounts for interbank claims (see Note 19).

The Parent Bank opened a Special Savings Account (SSA) with the BSP to comply with InstaPay facility requirement. As of December 31, 2024 and 2023, the balance of this account amounted to P2,393 and P783, respectively, and is presented as part of Due from BSP.

The Parent Bank opened a Demand Deposit Account 3 (DDA3) with the BSP for PESONet transactions. As of December 31, 2023, the balance of this account amounted to P7,390 and is presented as part of Due from BSP. After the 4:00 PM Cycle 2 settlement cut-off on January 05, 2024 (Friday), participants must perform the total defunding of their respective DDA3 and ensure that the resulting balance is zero at the end-of-day.

Due from BSP, excluding mandatory reserves which has no interest, bears annual interest rate of 5.25% to 6.65% in 2024, 5.00% to 6.76% in 2023, and 1.50% to 6.45% in 2022.

The total interest income earned amounted to P3,023, P5,201, and P2,558 in 2024, 2023 and 2022, respectively, in BDO Unibank Group's statements of income, and P2,975, P5,146 and P2,533 in 2024, 2023 and 2022, respectively, in the Parent Bank's statements of income (see Note 23).

Cash and other cash items and balances with the BSP are included in cash and cash equivalents for statements of cash flows purposes.

9. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	Note	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Foreign banks		P 80,495	P 78,641	P 76,390	P 76,220
Local banks		<u>9,990</u>	<u>7,391</u>	<u>1,152</u>	<u>626</u>
		90,485	86,032	77,542	76,846
Allowance for impairment	18	(<u>37</u>)	(<u>58</u>)	(<u>31</u>)	(<u>55</u>)
		<u>P 90,448</u>	<u>P 85,974</u>	<u>P 77,511</u>	<u>P 76,791</u>

The breakdown of this account as to currency follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
U.S. dollars	P 51,427	P 52,219	P 47,374	P 49,906
Other foreign currencies	32,432	27,571	29,716	26,608
Philippine pesos	<u>6,589</u>	<u>6,184</u>	<u>421</u>	<u>277</u>
	<u>P 90,448</u>	<u>P 85,974</u>	<u>P 77,511</u>	<u>P 76,791</u>

Annual interest rates on these deposits range from:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
BDO Unibank Group	0.00% – 6.38%	0.00% – 6.40%	0.00% – 5.50%
Parent Bank	0.00% – 5.25%	0.00% – 5.46%	0.00% – 4.40%

There are deposits such as current accounts, which do not earn interest. The total interest income earned amounted to P3,215, P2,538, and P808 in 2024, 2023, and 2022, respectively, in the BDO Unibank Group's statements of income, and P2,625, P2,171, and P674, in 2024, 2023, and 2022, respectively, in the Parent Bank's statements of income (see Note 23). Except for margin deposits amounting to P2,189 and P1,298 as of December 31, 2024 and 2023, respectively, for the BDO Unibank Group and P300 and P224 as of December 31, 2024 and 2023, respectively, for the Parent Bank, Due from other banks are included in cash and cash equivalents for statements of cash flows purposes.

10. TRADING AND INVESTMENT SECURITIES

The components of this account are shown below.

		BDO Unibank Group		Parent Bank	
	<u>Note</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Financial assets at FVTPL	10.1	P 27,929	P 14,749	P 21,974	P 8,469
Financial assets at FVOCI	10.2	272,225	236,578	261,889	224,579
Investment securities at amortized cost - net	10.3	<u>575,954</u>	<u>573,480</u>	<u>556,125</u>	<u>554,643</u>
		<u>P 876,108</u>	<u>P 824,807</u>	<u>P 839,988</u>	<u>P 787,691</u>

10.1 Financial Assets at FVTPL

This account is composed of the following:

	BDO Unibank Group		Parent Bank	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Derivative financial assets	P 8,291	P 6,070	P 4,633	P 2,157
Government debt securities	18,114	6,690	17,054	6,178
Corporate debt securities	<u>386</u>	<u>757</u>	<u>286</u>	<u>133</u>
	26,791	13,517	21,973	8,468
Equity securities - quoted	<u>1,138</u>	<u>1,232</u>	<u>1</u>	<u>1</u>
	<u>P 27,929</u>	<u>P 14,749</u>	<u>P 21,974</u>	<u>P 8,469</u>

All financial assets at FVTPL are held for trading. The following table shows net income (loss) contributed by financial assets at FVTPL to the BDO Unibank Group and the Parent Bank.

	<u>Notes</u>	BDO Unibank Group		
		<u>2024</u>	<u>2023</u>	<u>2022</u>
Interest income	23	P 520	P 128	P 104
Trading gain (loss) - net	25	(233)	1,439	(443)
Foreign exchange loss)	25	(160)	(355)	(549)
Dividend income	25	<u>56</u>	<u>1</u>	<u>2</u>
Net income (loss)		<u>P 183</u>	<u>P 1,213</u>	<u>(P 886)</u>
		Parent Bank		
	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Interest income	23	P 500	P 89	P 69
Trading gain (loss) - net	25	(491)	1,223	(333)
Net income (loss)		<u>P 9</u>	<u>P 1,312</u>	<u>(P 264)</u>

Effective interest rates of debt securities at FVTPL range from:

	2024	2023	2022
<u>BDO Unibank Group</u>			
Government debt securities	0.00% – 9.50%	0.25% – 9.50%	1.38% – 9.50%
Corporate debt securities	0.00% – 9.38%	2.00% – 8.62%	0.09% – 8.51%
<u>Parent Bank</u>			
Government debt securities	0.00% – 9.50%	1.65% – 9.50%	1.38% – 9.50%
Corporate debt securities	0.00% – 9.38%	2.00% – 8.62%	2.13% – 8.51%

Foreign currency-denominated securities amounted to P7,440 and P3,717 as of December 31, 2024 and 2023, respectively, in the BDO Unibank Group's statements of financial position, and P6,047 and P2,711 as of December 31, 2024 and 2023, respectively, in the Parent Bank's statements of financial position.

Derivative instruments used by BDO Unibank Group include foreign currency and interest rate forwards/futures, foreign currency and interest rate swaps. Income derived from these derivative instruments are part of trading gains (losses) (see Note 25).

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and financial liabilities are shown below [see Notes 21 and 27(d)(i)(4)].

	2024			2023		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
<u>BDO Unibank Group</u>						
Currency forwards/futures	P 529,441	P 4,256	P 2,594	P 353,693	P 1,828	P 1,462
Cross currency swaps	46,491	4,007	346	79,164	4,208	3,540
ROP warrants	8,475	-	101	8,475	-	96
Interest rate swaps	<u>3,432</u>	<u>28</u>	<u>3,320</u>	<u>6,054</u>	<u>34</u>	<u>41</u>
	<u>P 587,839</u>	<u>P 8,291</u>	<u>P 6,361</u>	<u>P 447,386</u>	<u>P 6,070</u>	<u>P 5,139</u>
<u>Parent Bank</u>						
Currency forwards/futures	P 524,322	P 4,217	P 2,594	P 351,276	P 1,813	P 1,457
ROP warrants	8,475	-	101	8,475	-	96
Cross currency swaps	5,731	388	372	5,382	310	265
Interest rate swaps	<u>3,432</u>	<u>28</u>	<u>23</u>	<u>6,054</u>	<u>34</u>	<u>41</u>
	<u>P 541,960</u>	<u>P 4,633</u>	<u>P 3,090</u>	<u>P 371,187</u>	<u>P 2,157</u>	<u>P 1,859</u>

Certain financial assets at FVTPL are subject to offsetting against the related derivatives with negative fair values. This indicates an enforceable master netting arrangements and similar agreements with an intention to settle on a net basis (see Note 7.6).

10.2 Financial Assets at FVOCI

The details of the carrying amounts of these financial assets are as follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Government debt securities	P 214,905	P 178,219	P 205,423	P 169,444
Corporate debt securities	55,243	56,680	54,554	53,563
Equity securities:				
Quoted	1,817	1,525	1,770	1,472
Not quoted	264	154	146	100
	272,229	236,578	261,893	224,579
Allowance for impairment	(4)	-	(4)	-
	P 272,225	P 236,578	P 261,889	P 224,579

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

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Foreign currencies	P 124,185	P 94,236	P 122,742	P 93,096
Philippine peso	148,040	142,342	139,147	131,483
	P 272,225	P 236,578	P 261,889	P 224,579

The maturity profile of this account is presented below.

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Within one year	P 89,738	P 108,225	P 88,884	P 105,228
One to five years	117,874	72,269	111,877	66,320
Beyond five years	64,613	56,084	61,128	53,031
	P 272,225	P 236,578	P 261,889	P 224,579

Effective interest rates of financial assets at FVOCI range from:

	2024	2023	2022
<u>BDO Unibank Group</u>			
Government debt securities	1.84% – 7.44%	1.84% – 7.95%	0.53% – 10.63%
Corporate debt securities	2.14% – 9.38%	1.84% – 8.76%	1.87% – 8.76%
<u>Parent Bank</u>			
Government debt securities	1.84% – 7.44%	1.84% – 7.95%	0.54% – 10.63%
Corporate debt securities	2.14% – 9.38%	1.84% – 8.76%	1.87% – 8.76%

The fair values of government debt, quoted equity securities and corporate debt securities have been determined directly by reference to published prices generated in an active market (see Note 7.3).

The reconciliation of the carrying amounts of financial assets at FVOCI reported under Trading and Investments Securities - Net is shown below:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Balance at beginning of year	P 236,578	P 119,061	P 224,579	P 109,647
Additions	1,332,272	882,675	1,324,855	872,261
Disposals	(1,301,208)	(768,601)	(1,292,019)	(760,433)
Foreign currency revaluation	4,592	(584)	4,504	(560)
Unrealized fair value losses	(177)	3,989	(196)	3,666
Realized fair value losses on FVOCI	172	38	170	(2)
Impairment loss - net	(4)	-	(4)	-
Balance at end of year	<u>P 272,225</u>	<u>P 236,578</u>	<u>P 261,889</u>	<u>P 224,579</u>

The reconciliation of unrealized fair value losses on financial assets at FVOCI reported under Trading and Investment Securities - Net, and Investment Securities and Other Assets for Life Insurance Contracts - Net, reported under equity is shown below.

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Balance at beginning of year	(P 12,210)	(P 19,950)	(P 8,471)	(P 12,228)
Changes on unrealized fair value gains (losses) during the year:				
Fair value gains (losses) during the year	(722)	7,619	(196)	3,666
Expected credit losses on FVOCI securities	(25)	108	(16)	97
Deferred tax assets (liabilities)	(3)	(6)	(5)	(4)
	(12,960)	(12,229)	(8,688)	(8,469)
Realized fair value (gains) loss on securities disposed during the year - net	(20)	19	170	(2)
Balance at end of year	<u>(P 12,980)</u>	<u>(P 12,210)</u>	<u>(P 8,518)</u>	<u>(P 8,471)</u>
Net unrealized fair value losses, net of tax:				
Attributable to:				
Shareholder of the Parent Bank	(P 722)	(P 7,619)		
Non-controlling interest	5	(28)		
	<u>(P 717)</u>	<u>(P 7,647)</u>		

The BDO Unibank Group disposed of FVOCI securities under equity amounting to P4, P3 and P6 in 2024, 2023 and 2022, respectively. The Parent Bank did not dispose any FVOCI equity securities in 2024, 2023 and 2022.

Unrealized fair value gains and losses recognized in the NUGL account is not reclassified to profit or loss but is reclassified directly to Surplus Free account except for those debt securities classified as FVOCI wherein fair value changes are recycled back to profit or loss.

The BDO Unibank Group and the Parent Bank recognized gain (loss) on disposal of FVOCI debt securities amounting to P90 and P90, respectively, in 2024, (P39) and nil, respectively, in 2023, and P44 and P16, respectively, in 2022.

Impairment losses (recoveries) recognized for FVOCI debt securities presented in NUGL for BDO Unibank Group and the Parent Bank amounted to (P25) and (P17), respectively, in 2024, P108 and P97, respectively, in 2023 and P67 and P65, respectively, in 2022. The total accumulated impairment losses presented in NUGL for the BDO Unibank Group and the Parent Bank amounted to P200 and P182 respectively, as of December 31, 2024, and P225 and P199, respectively, as of December 31, 2023 (see Note 4.3.5).

10.3 Investment Securities at Amortized Cost

This account consists of:

	Note	BDO Unibank Group		Parent Bank	
		2024	2023	2024	2023
Government debt securities		P 492,529	P 501,606	P 474,652	P 485,264
Corporate debt securities:					
Quoted		83,874	72,000	81,919	70,008
Not quoted		1,663	2,000	1,663	1,486
		578,066	575,606	558,234	556,758
Allowance for impairment	18	(2,112)	(2,126)	(2,109)	(2,115)
		P 575,954	P 573,480	P 556,125	P 554,643

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

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Foreign currencies	P 188,376	P 207,053	P 183,854	P 201,824
Philippine peso	387,578	366,427	372,271	352,819
	P 575,954	P 573,480	P 556,125	P 554,643

The maturity profile of this account is presented below.

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Less than one year	P 76,139	P 96,291	P 72,263	P 92,690
One to five years	259,810	241,953	250,897	230,506
Beyond five years	240,005	235,236	232,965	231,447
	P 575,954	P 573,480	P 556,125	P 554,643

The reconciliation of the carrying amounts of investment securities at amortized cost is as follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Balance at beginning of year	P 573,480	P 509,316	P 554,643	P 491,259
Additions	128,567	115,282	117,882	111,216
Maturities and disposals	(134,598)	(49,917)	(124,675)	(46,673)
Foreign currency gains (losses) – net	8,407	(707)	8,186	(673)
Impairment loss (recovery)	98	(494)	89	(486)
	P 575,954	P 573,480	P 556,125	P 554,643

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>BDO Unibank Group</u>			
Government debt securities	0.65% – 7.47%	0.47% – 10.25%	0.18% – 10.25%
Corporate debt securities	1.82% – 7.60%	1.29% – 7.81%	1.27% – 7.88%
<u>Parent Bank</u>			
Government debt securities	0.65% – 7.47%	0.47% – 7.47%	0.18% – 7.56%
Corporate debt securities	1.82% – 7.60%	1.82% – 7.81%	1.82% – 7.88%

In 2024 and 2023, the BDO Unibank Group disposed of debt securities from its amortized cost portfolio amounting to P353 and P2,584, respectively, resulting in a net trading loss amounting to nil and P3, respectively. In the same year, the Parent Bank disposed of debt securities from its amortized cost portfolio amounting to P353 and P2,292, respectively, resulting in a net trading loss amounting to nil and P3, respectively. These disposals were all initiated by the issuers.

Management has assessed that such disposals of investment securities in 2024 and 2023 are consistent with the BDO Unibank Group and the Parent Bank's investment at amortized cost business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the BDO Unibank Group's business model in managing financial assets manual and the requirements of PFRS 9. The disposal of investment securities was approved by the Investments Committee in compliance with the documentation requirements of the BSP.

As mentioned in Note 28, certain government debt securities are deposited with the BSP.

11. LOANS AND OTHER RECEIVABLES

The loans and other receivables account consists of the following:

	<u>Notes</u>	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Receivables from customers:					
Loans and discounts	27, 34.2.1 P	2,894,293	P 2,596,551	P 2,789,625	P 2,522,613
Credit card receivables		215,382	162,047	215,382	162,047
Customers' liabilities under letters of credit and trust receipts		103,272	80,952	103,272	80,952
Bills purchased		13,700	10,685	13,697	10,633
		3,226,647	2,850,235	3,121,976	2,776,245
Unearned interests or discounts		(1,417)	(1,438)	(561)	(765)
Allowance for impairment	18	(89,097)	(83,103)	(86,655)	(80,802)
		(90,514)	(84,541)	(87,216)	(81,567)
		3,136,133	2,765,694	3,034,760	2,694,678
Other receivables:					
Interbank loans receivables		81,988	69,174	82,567	69,975
Reverse repurchase agreements		25,463	25,370	25,012	24,970
Accounts receivable	27	29,137	22,561	27,334	21,141
Sales contract receivables	34.2.1	1,864	1,384	1,843	1,351
Others		927	470	-	-
		139,379	118,959	136,756	117,437
Allowance for impairment	18	(2,994)	(2,708)	(2,759)	(2,568)
		136,385	116,251	133,997	114,869
		P 3,272,518	P 2,881,945	P 3,168,757	P 2,809,547

The maturity profile of receivable from customers (net of unearned interest or discounts) based on the remaining term is presented below.

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Less than one year	P 1,054,600	P 890,953	P 1,048,312	P 884,527
One to five years	1,139,230	1,095,419	1,060,428	1,044,197
Beyond five years	1,031,400	862,425	1,012,675	846,756
	<u>P 3,225,230</u>	<u>P 2,848,797</u>	<u>P 3,121,415</u>	<u>P 2,775,480</u>

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to type of interest rate follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Variable interest rates	P 2,585,736	P 2,205,871	P 2,472,274	P 2,194,927
Fixed interest rates	639,494	642,926	649,141	580,553
	<u>P 3,225,230</u>	<u>P 2,848,797</u>	<u>P 3,121,415</u>	<u>P 2,775,480</u>

Annual interest rates ranges from:

	2024	2023	2022
Loans and discounts	0.00% – 60.96%	0.00% – 60.96%	0.00% – 60.96%
Other receivables	0.00% – 16.00%	0.00% – 19.00%	0.00% – 19.00%

The total interest income earned (see Note 23) amounted to:

	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
Loans and discounts	P 215,974	P 183,348	P 133,170	P 206,691	P 175,534	P 126,802
Other receivables	6,761	6,719	2,626	6,822	6,751	2,571
	<u>P 222,735</u>	<u>P 190,067</u>	<u>P 135,796</u>	<u>P 213,513</u>	<u>P 182,285</u>	<u>P 129,373</u>

Interest income recognized on impaired loans and receivables amounted to P28,459, P23,713 and P6,398 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group, and P28,234, P23,706 and P6,395 in 2024, 2023 and 2022, respectively, for the Parent Bank.

Certain receivables from customers of the BDO Unibank Group and the Parent Bank amounting to P10,092 and P8,672, respectively, as of December 31, 2024 and P8,657 and P5,672, respectively, as of December 31, 2023, are subject to offsetting with the corresponding collaterals received as a means of security amounting to P8,682 and P8,672, respectively, as of December 31, 2024, and P6,226 and P5,672, respectively, as of December 31, 2023, indicating a legally enforceable right to offset the recognized amounts with an intention to settle on a net basis (see Note 7.6).

Impairment losses recognized for loans and receivables for BDO Unibank Group and the Parent Bank amounted to P14,404 and P13,273, respectively, in 2024, P15,771 and P15,041, respectively, in 2023, and P16,414 and P15,665, respectively, in 2022 (see Note 18).

12. PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 are shown below.

BDO Unibank Group

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>			
December 31, 2024										
Cost	P 8,812	P 35,061	P 25,248	P 9,514	P 4,245	P 22,585	P 105,465			
Accumulated depreciation and amortization	-	(22,998)	(8,965)	(7,969)	-	(10,707)	(50,639)			
Allowance for impairment (see Note 18)	(330)	-	(292)	-	-	-	(622)			
Net Carrying Amount	<u>P 8,482</u>	<u>P 12,063</u>	<u>P 15,991</u>	<u>P 1,545</u>	<u>P 4,245</u>	<u>P 11,878</u>	<u>P 54,204</u>			
December 31, 2023										
Cost	P 8,810	P 30,453	P 24,679	P 9,106	P 1,930	P 20,623	P 95,601			
Accumulated depreciation and amortization	-	(21,437)	(8,145)	(7,694)	-	(9,621)	(46,897)			
Allowance for impairment (see Note 18)	(330)	-	(289)	-	-	-	(619)			
Net Carrying Amount	<u>P 8,480</u>	<u>P 9,016</u>	<u>P 16,245</u>	<u>P 1,412</u>	<u>P 1,930</u>	<u>P 11,002</u>	<u>P 48,085</u>			
January 1, 2023										
Cost	P 8,430	P 29,066	P 25,345	P 8,660	P 1,266	P 19,561	P 92,328			
Accumulated depreciation and amortization	-	(19,682)	(10,047)	(7,295)	-	(8,189)	(45,213)			
Allowance for impairment (see Note 18)	(340)	-	(304)	-	-	-	(644)			
Net Carrying Amount	<u>P 8,090</u>	<u>P 9,384</u>	<u>P 14,994</u>	<u>P 1,365</u>	<u>P 1,266</u>	<u>P 11,372</u>	<u>P 46,471</u>			

Parent Bank

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>			
December 31, 2024										
Cost	P 8,082	P 30,278	P 23,275	P 8,167	P 4,238	P 21,300	P 95,340			
Accumulated depreciation and amortization	-	(20,088)	(8,233)	(7,096)	-	(10,148)	(45,565)			
Allowance for impairment (see Note 18)	(192)	-	(284)	-	-	-	(476)			
Net Carrying Amount	<u>P 7,890</u>	<u>P 10,190</u>	<u>P 14,758</u>	<u>P 1,071</u>	<u>P 4,238</u>	<u>P 11,152</u>	<u>P 49,299</u>			
December 31, 2023										
Cost	P 8,080	P 25,847	P 22,737	P 7,949	P 1,929	P 20,299	P 86,841			
Accumulated depreciation and amortization	-	(18,541)	(7,463)	(6,956)	-	(9,527)	(42,487)			
Allowance for impairment (see Note 18)	(192)	-	(284)	-	-	-	(476)			
Net Carrying Amount	<u>P 7,888</u>	<u>P 7,306</u>	<u>P 14,990</u>	<u>P 993</u>	<u>P 1,929</u>	<u>P 10,772</u>	<u>P 43,878</u>			
January 1, 2023										
Cost	P 7,693	P 24,804	P 23,466	P 7,674	P 1,250	P 18,911	P 83,798			
Accumulated depreciation and amortization	-	(16,859)	(9,409)	(6,678)	-	(7,962)	(40,908)			
Allowance for impairment (see Note 18)	(197)	-	(299)	-	-	-	(496)			
Net Carrying Amount	<u>P 7,496</u>	<u>P 7,945</u>	<u>P 13,758</u>	<u>P 996</u>	<u>P 1,250</u>	<u>P 10,949</u>	<u>P 42,394</u>			

A reconciliation of the carrying amounts at the beginning and end of 2024 and 2023 of premises, furniture, fixtures and equipment is shown below.

BDO Unibank Group

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
Balance at January 1, 2024, net of accumulated depreciation, amortization and impairment	P 8,480	P 9,016	P 16,245	P 1,412	P 1,930	P 11,002	P 48,085
Additions	2	6,017	502	750	2,363	4,403	14,037
Disposals	-	(53)	-	(84)	-	(41)	(178)
Reclassifications	-	39	44	39	(46)	-	76
Allowance for impairment	-	-	(2)	-	-	-	(2)
Adjustments	-	-	-	(1)	-	(28)	(29)
Reversal	-	-	-	(1)	(3)	-	(4)
Foreign exchange revaluation	-	-	22	-	-	30	52
Effect of merger	-	-	-	-	1	-	1
Depreciation and amortization charges for the year	-	(2,956)	(820)	(570)	-	(3,488)	(7,834)
Balance at December 31, 2024, net of accumulated depreciation, amortization and impairment	<u>P 8,482</u>	<u>P 12,063</u>	<u>P 15,991</u>	<u>P 1,545</u>	<u>P 4,245</u>	<u>P 11,878</u>	<u>P 54,204</u>
Balance at January 1, 2023, net of accumulated depreciation, amortization and impairment	P 8,090	P 9,384	P 14,994	P 1,365	P 1,266	P 11,372	P 46,471
Additions	409	2,916	2,127	554	837	3,716	10,559
Disposals	(7)	(59)	-	-	(33)	(192)	(291)
Reclassifications	(17)	32	126	65	(136)	-	70
Allowance for impairment	5	-	-	-	-	-	5
Adjustments	-	(1)	-	(9)	-	(377)	(387)
Reversal	-	-	(3)	-	(4)	-	(7)
Foreign exchange revaluation	-	1	15	-	-	(2)	14
Acquired from business combination	-	29	-	-	-	-	29
Depreciation and amortization charges for the year	-	(3,286)	(1,014)	(563)	-	(3,515)	(8,378)
Balance at December 31, 2023, net of accumulated depreciation, amortization and impairment	<u>P 8,480</u>	<u>P 9,016</u>	<u>P 16,245</u>	<u>P 1,412</u>	<u>P 1,930</u>	<u>P 11,002</u>	<u>P 48,085</u>

Parent Bank

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
Balance at January 1, 2024, net of accumulated depreciation, amortization and impairment	P 7,888	P 7,306	P 14,990	P 993	P 1,929	P 10,772	P 43,878
Additions	2	5,194	477	521	2,355	4,060	12,609
Disposals	-	(13)	-	(79)	-	(277)	(369)
Reclassifications	-	44	44	39	(44)	-	83
Adjustment	-	-	-	-	-	(21)	(21)
Reversal	-	-	-	-	(3)	-	(3)
Foreign exchange revaluation	-	-	18	-	-	5	23
Effect of merger	-	26	-	-	1	-	27
Depreciation and amortization charges for the year	-	(2,367)	(771)	(403)	-	(3,387)	(6,928)
Balance at December 31, 2024, net of accumulated depreciation, amortization and impairment	<u>P 7,890</u>	<u>P 10,190</u>	<u>P 14,758</u>	<u>P 1,071</u>	<u>P 4,238</u>	<u>P 11,152</u>	<u>P 49,299</u>
Balance at January 1, 2023, net of accumulated depreciation, amortization and impairment	P 7,496	P 7,945	P 13,758	P 996	P 1,250	P 10,949	P 42,394
Additions	409	2,064	2,065	355	818	3,309	9,020
Disposals	-	(32)	-	-	-	(192)	(224)
Reclassifications	(17)	39	124	67	(135)	-	78
Adjustment	-	-	-	-	-	(14)	(14)
Reversal	-	-	(3)	-	(4)	-	(7)
Foreign exchange revaluation	-	-	16	-	-	(1)	15
Depreciation and amortization charges for the year	-	(2,710)	(970)	(425)	-	(3,279)	(7,384)
Balance at December 31, 2023, net of accumulated depreciation, amortization and impairment	<u>P 7,888</u>	<u>P 7,306</u>	<u>P 14,990</u>	<u>P 993</u>	<u>P 1,929</u>	<u>P 10,772</u>	<u>P 43,878</u>

Under BSP rules, investments in premises, furniture, fixtures and equipment should not exceed 50.00% of a bank's unimpaired capital. As of December 31, 2024 and 2023, the BDO Unibank Group and the Parent Bank have complied with this requirement.

Certain fully depreciated premises, furniture, fixtures and equipment as of December 31, 2024 and 2023 are still being used in operations with acquisition costs amounting to P10,228 and P11,147, respectively, in the BDO Unibank Group's financial statements and P9,851 and P9,348, respectively, in the Parent Bank's financial statements.

On March 9, 2023, the Parent Bank recorded the derecognition of fully depreciated BDO Corporate Tower located in Makati City with a total cost amounting to P2,907.

13. LEASES

The BDO Unibank Group and the Parent Bank have leases for certain land and building. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected as a Right-of-use asset under Premises, Furniture, Fixtures and Equipment (see Note 12) and a Lease liability under Other Liabilities (see Note 21) on the statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the BDO Unibank Group and the Parent Bank to sublet the asset to another party, the right-of-use asset can only be used by the BDO Unibank Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The BDO Unibank Group and the Parent Bank are prohibited from selling or pledging the underlying leased assets as security.

For leases over land and office spaces, the BDO Unibank Group and the Parent 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 BDO Unibank Group and the Parent Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The tables below describe the nature of BDO Unibank Group and the Parent Bank's leasing activities by type of right-of-use asset.

	Number of Right-of-use Asset Leased		Range of Remaining Term		Average Remaining Lease Term	
	2024	2023	2024	2023	2024	2023
BDO Unibank Group						
Land	53	53	0 mo. – 60.0 yrs.	0 mo. – 30.0 yrs.	12.6 yrs.	12.4 yrs.
Building	1,850	1,765	0 mo. – 20.0 yrs.	0 mo. – 15.0 yrs.	7.8 yrs.	2.8 yrs.
Parent Bank						
Land	53	53	0 mo. – 60.0 yrs.	0 mo. – 30.0 yrs.	12.6 yrs.	12.4 yrs.
Building	1,381	1,347	0 mo. – 20.0 yrs.	0 mo. – 14.8 yrs.	3.7 yrs.	3.6 yrs.

13.1 Right-of-Use Assets

The carrying amounts of BDO Unibank Group and the Parent Bank's right-of-use assets as of December 31, 2024 and 2023 and the movements during the periods are shown below and in the succeeding page (see Note 12).

	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2024	P 484	P 10,518	P 11,002	P 508	P 10,264	P 10,772
Additions	227	4,176	4,403	227	3,833	4,060
Disposals	(3)	(38)	(41)	(3)	(274)	(277)
Reclassification	8	(8)	-	8	(8)	-
Adjustment	-	(28)	(28)	-	(21)	(21)
Foreign exchange revaluation	-	30	30	-	5	5
Depreciation and amortization	(51)	(3,437)	(3,488)	(52)	(3,335)	(3,387)
Balance at December 31, 2024	P 665	P 11,213	P 11,878	P 688	P 10,464	P 11,152

	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2023	P 446	P 10,926	P 11,372	P 471	P 10,478	P 10,949
Additions	121	3,595	3,716	121	3,188	3,309
Disposals	(3)	(189)	(192)	(3)	(189)	(192)
Reclassification	(28)	28	-	(28)	28	-
Adjustment	-	(377)	(377)	-	(14)	(14)
Foreign exchange revaluation	-	(2)	(2)	-	(1)	(1)
Depreciation and amortization	(52)	(3,463)	(3,515)	(53)	(3,226)	(3,279)
Balance at December 31, 2023	<u>P 484</u>	<u>P 10,518</u>	<u>P 11,002</u>	<u>P 508</u>	<u>P 10,264</u>	<u>P 10,772</u>

13.2 Lease Liabilities

Lease liabilities amounting to P14,001 and P13,034 as of December 31, 2024 and 2023, respectively, for the BDO Unibank Group and P13,215 and P12,807, as of December 31, 2024 and 2023, respectively, for the Parent Bank are presented in the statements of financial position as part of Other Liabilities (see Note 21).

The use of extension and termination options gives the BDO Unibank Group and the Parent Bank added flexibility in the event that it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the BDO Unibank Group and the Parent Bank's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost. As of December 31, 2024, the terms of the lease contracts of the BDO Unibank Group and the Parent Bank are renewable upon mutual agreement of the parties.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analyses of lease liabilities are as follows:

December 31, 2024

BDO Unibank Group

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	5 to 10 Years	10 or More Years	Total
Lease payments	P 4,387	P 3,566	P 2,858	P 1,981	P 1,156	P 2,527	P 1,755	P 18,230
Finance charges	(915)	(687)	(490)	(338)	(242)	(638)	(919)	(4,229)
Net present value	<u>P 3,472</u>	<u>P 2,879</u>	<u>P 2,368</u>	<u>P 1,643</u>	<u>P 914</u>	<u>P 1,889</u>	<u>P 836</u>	<u>P 14,001</u>

Parent Bank

Lease payments	P 4,093	P 3,329	P 2,701	P 1,888	P 1,102	P 2,410	P 1,790	P 17,313
Finance charges	(863)	(652)	(468)	(324)	(234)	(627)	(930)	(4,098)
Net present value	<u>P 3,230</u>	<u>P 2,677</u>	<u>P 2,233</u>	<u>P 1,564</u>	<u>P 868</u>	<u>P 1,783</u>	<u>P 860</u>	<u>P 13,215</u>

December 31, 2023

BDO Unibank Group

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	5 to 10 Years	10 or More Years	Total
Lease payments	P 3,951	P 3,289	P 2,675	P 1,975	P 1,124	P 2,332	P 780	P 16,126
Finance charges	(813)	(622)	(445)	(302)	(208)	(498)	(204)	(3,092)
Net present value	<u>P 3,138</u>	<u>P 2,667</u>	<u>P 2,230</u>	<u>P 1,673</u>	<u>P 916</u>	<u>P 1,834</u>	<u>P 576</u>	<u>P 13,034</u>

Parent Bank

Lease payments	P 3,905	P 3,249	P 2,624	P 1,881	P 1,091	P 2,282	P 818	P 15,850
Finance charges	(799)	(606)	(430)	(293)	(203)	(496)	(216)	(3,043)
Net present value	<u>P 3,106</u>	<u>P 2,643</u>	<u>P 2,194</u>	<u>P 1,588</u>	<u>P 888</u>	<u>P 1,786</u>	<u>P 602</u>	<u>P 12,807</u>

The Parent Bank subleases its leased properties. The total income earned from the subleasing activities amounted to P6, P9 and P6 in 2024, 2023 and 2022, respectively. This is presented as part of Miscellaneous - net under Other Operating Income in the statements of income (see Note 25).

The total cash outflow in respect to leases amounted to P4,431, P4,370 and P4,192 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group and P4,321, P4,097 and P4,032 in 2024, 2023 and 2022, respectively, for the Parent Bank. Interest expense in relation to lease liabilities amounted to P1,036, P939 and P926 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group and P1,005, P883 and P905 in 2024, 2023 and 2022, respectively, for the Parent Bank which are, presented as part of Interest expense on lease liabilities under Interest Expense account in the statements of income (see Note 24).

13.3 Lease Payments Not Recognized as Liabilities

The BDO Unibank Group and the Parent Bank have elected not to recognize a lease liability for short-term leases or for leases of low value assets. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities. Payments made under such leases are expensed as incurred.

The expenses relating to short-term leases and low-value assets amounted to P10 and P406 in 2024, P14 and P387 in 2023, and P4 and P350 in 2022 for the BDO Unibank Group, respectively, and P4 and P398 in 2024, P5 and P381 in 2023, and nil and P348 in 2022 for the Parent Bank, respectively. Moreover, the expenses relating to variable lease payments amounted to P426, P273, P171 for both BDO Unibank Group and the Parent Bank in 2024, 2023 and 2022, respectively. These are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 25).

14. INVESTMENT PROPERTIES

Investment properties include land and buildings held for capital appreciation and for rental. Income earned from investment properties under rental arrangements amounted to P427 and 156 in 2024, P615 and P78 in 2023, and P590 and P83 in 2022 in the BDO Unibank Group and the Parent Bank's financial statements, respectively, and are presented as part of Rental under Other Operating Income account (see Note 25). Direct expenses incurred from these properties such as taxes and licenses amounted to P70 and 5 in 2024, P80 and P3 in 2023, and P61 and P3 in 2022 in the BDO Unibank Group and the Parent Bank's financial statements, respectively, and are presented as part of Taxes and licenses under Other Operating Expenses account in the BDO Unibank Group and Parent Bank's financial statements, respectively (see Note 25).

The gross carrying amounts and accumulated depreciation and impairment at the beginning and end of 2024 and 2023 are shown below.

Note	BDO Unibank Group			Parent Bank		
	Land	Building	Total	Land	Building	Total
December 31, 2024						
Cost	P 12,018	P 31,224	P 43,242	P 9,763	P 28,223	P 37,986
Accumulated depreciation	-	(7,919)	(7,919)	-	(7,001)	(7,001)
Allowance for impairment	18 (1,403)	(95)	(1,498)	(1,129)	(60)	(1,189)
Net carrying amount	<u>P 10,615</u>	<u>P 23,210</u>	<u>P 33,825</u>	<u>P 8,634</u>	<u>P 21,162</u>	<u>P 29,796</u>
December 31, 2023						
Cost	P 14,625	P 36,435	P 51,060	P 8,184	P 12,771	P 20,955
Accumulated depreciation	-	(6,831)	(6,831)	-	(6,052)	(6,052)
Allowance for impairment	18 (1,733)	(67)	(1,800)	(1,453)	(42)	(1,495)
Net carrying amount	<u>P 12,892</u>	<u>P 29,537</u>	<u>P 42,429</u>	<u>P 6,731</u>	<u>P 6,677</u>	<u>P 13,408</u>
January 1, 2023						
Cost	P 10,457	P 14,266	P 24,723	P 8,199	P 11,530	P 19,729
Accumulated depreciation	-	(6,033)	(6,033)	-	(5,370)	(5,370)
Allowance for impairment	18 (1,442)	(65)	(1,507)	(1,162)	(24)	(1,186)
Net carrying amount	<u>P 9,015</u>	<u>P 8,168</u>	<u>P 17,183</u>	<u>P 7,037</u>	<u>P 6,136</u>	<u>P 13,173</u>

A reconciliation of the carrying amounts, at the beginning and end of 2024 and 2023, of investment properties is shown below.

	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2024						
net of accumulated depreciation and impairment	P 12,892	P 29,537	P 42,429	P 6,731	P 6,677	P 13,408
Additions	1,099	2,727	3,826	1,098	2,595	3,693
Effect of merger	-	-	-	4,188	20,255	24,443
Reclassification	(2,774)	(6,542)	(9,316)	(2,781)	(6,537)	(9,318)
Disposals	(839)	(548)	(1,387)	(839)	(543)	(1,382)
Foreign exchange revaluation	-	41	41	-	-	-
Impairment recoveries (losses)	237	(6)	231	237	-	237
Depreciation for the year	-	(1,999)	(1,999)	-	(1,285)	(1,285)
Balance at December 31, 2024	P 10,615	P 23,210	P 33,825	P 8,634	P 21,162	P 29,796
net of accumulated depreciation and impairment						
Balance at January 1, 2023						
net of accumulated depreciation and impairment	P 9,015	P 8,168	P 17,183	P 7,037	P 6,136	P 13,173
Additions	559	2,062	2,621	559	1,996	2,555
Acquired from business combination	4,188	20,812	25,000	-	-	-
Reclassification	(268)	(8)	(260)	(268)	(8)	(276)
Disposals	(602)	(364)	(966)	(597)	(345)	(942)
Foreign exchange revaluation	-	75	75	-	-	-
Depreciation for the year	-	(1,224)	(1,224)	-	(1,102)	(1,102)
Balance at December 31, 2023	P 12,892	P 29,537	P 42,429	P 6,731	P 6,677	P 13,408
net of accumulated depreciation and impairment						

The fair value of investment properties as of December 31, 2024 and 2023, determined using observable recent prices of the reference properties adjusted for difference and replacement cost approach, amounted to P72,032 and P52,299, respectively, for the BDO Unibank Group's financial statements and P59,275 and P38,997, respectively, for the Parent Bank's financial statements. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 7.5.

The recoverable amount of impaired investment properties as of December 31, 2024 and 2023 was based on value in use computed through discounted cash flows method at an effective rate of 2.48% and 2.31% in 2024 and 2023, respectively.

BDO Unibank Group has no contractual obligations to purchase, construct or develop investment properties, or to repair, neither maintain or enhance the same nor are there any restrictions on the future use or realizability of the investment properties.

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dacion in payment are significantly accounted for as either: investment properties, financial assets at FVOCI, other resources or non-current assets held for sale.

As of December 31, 2024 and 2023, ROPA, gross of allowance, comprise of the following:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Investment properties	P 14,374	P 13,136	P 14,083	P 12,935
Financial assets at FVOCI	560	945	560	945
Non-current assets held for sale	1,226	1,294	1,226	1,294
	P 16,160	P 15,375	P 15,869	P 15,174

15. EQUITY INVESTMENTS

Equity investments consist of the following:

		BDO Unibank Group		Parent Bank	
	% Held	2024	2023	2024	2023
<u>Philippine subsidiaries</u>					
BDO Network	84.92%	P -	P -	P 13,909	P 12,416
TPCI (see Note 30.2)	100.00%	-	-	-	9,819
BDOSHI	100.00%	-	-	5,684	5,684
BDO Life	97.00%	-	-	3,403	3,403
BDO Private	100.00%	-	-	2,579	2,579
Dominion Holdings	87.43%	-	-	1,878	1,878
BDO Capital	99.88%	-	-	1,878	1,878
BDOI	100.00%	-	-	11	11
Equimark	60.00%	-	-	4	4
		-	-	29,346	37,672
<u>Foreign subsidiaries</u>					
BDORO	100.00%	-	-	169	169
BDO Remit (Japan) Ltd.	100.00%	-	-	92	92
BDO Remit (Canada) Ltd.	100.00%	-	-	50	50
BRUSA	100.00%	-	-	26	26
		-	-	337	337
<u>Associates</u>					
NLEX Corporation	12.08%	1,765	1,405	1,765	1,405
NorthPine Land, Inc.	20.00%	232	232	232	232
Taal Land, Inc.	33.33%	170	170	170	170
BDO Securities	0.80%	-	-	35	35
		2,167	1,807	2,202	1,842
<u>Accumulated equity in total comprehensive income:</u>					
Balance at beginning of year		2,225	2,189	31,134	24,578
Equity in net profit (see Note 25)		1,397	1,273	9,303	8,378
Equity in other comprehensive loss	(1)	(5)	(552)	(428)	
Consolidation of TPCI	-	(506)	-	-	
Effect of merger	-	-	(26)	-	
Dividends	(924)	(726)	(5,441)	(1,394)	
Balance at end of year		2,697	2,225	34,418	31,134
<u>Net investments in associates/subsidiaries</u>					
		4,864	4,032	66,303	70,985
<u>Allowance for impairment (see Note 18)</u>					
		(153)	(153)	(153)	(153)
		P 4,711	P 3,879	P 66,150	P 70,832

The equity shares in other comprehensive income or loss of subsidiaries and associates consists of the following:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Accumulated actuarial losses	(P 1)	(P 5)	(P 246)	(P 341)
Remeasurement on life insurance reserves	-	-	380	(4,072)
Accumulated translation adjustment	-	-	19	(3)
Net unrealized fair value gains (losses) on FVOCI	-	-	(705)	3,988
Equity in other comprehensive losses	(P 1)	(P 5)	(P 552)	(P 428)

BDO Unibank Group's percentage of interest held in each subsidiary and associate is the same as that of the Parent Bank in both 2024 and 2023, except for BDO Life, Dominion Holdings and BDO Securities. For BDO Life and Dominion Holdings, the interest held is at 100% and 88.54% for BDO Unibank Group, respectively (see Note 2.3) and 97.00% and 87.43%, for the Parent Bank, respectively, in 2024 and 2023. For BDO Securities, the interest held is at 99.88% for BDO Unibank Group (see Note 2.3), in both years and 0.80% and 1.09% for Parent Bank, in 2024 and 2023, respectively.

BDO Unibank Group's subsidiaries as of December 31, 2024 are all incorporated in the Philippines, except for the following:

<u>Foreign Subsidiaries</u>	<u>Country of Incorporation</u>
BRUSA	United States of America
BDORO	United Kingdom
BDO RIH**	Netherlands
BDO Remit UK, Ltd. **	United Kingdom
CBN Greece S.A. **	Greece
BDO Remit (Japan) Ltd.	Japan
BDO Remit (Canada) Ltd.	Canada
BDO Remit Limited*	Hongkong
BDO Remit (Macau) Ltd.*	Macau

**Wholly-owned subsidiaries of BDOSHI*

***Subsidiaries of BDO Capital*

On May 30, 2012, BDORO was registered with the Registrar of Companies for England and Wales (UK) as a private limited company with registered office at the 13th Floor, One Angel Court, London, EC2R 7HJ.

BDO Remit (Canada) Ltd., a wholly-owned remittance subsidiary in Vancouver, Canada operates as a remittance business and function as a marketing office of the Parent Bank.

On June 30, 2021, the BOD of BDO Network Bank approved the conversion from a rural bank to savings bank. This was ratified by the BDO Network Bank shareholders on August 13, 2021 and approved by the BSP on January 20, 2022. SEC approval was obtained on December 27, 2024 and the application for Certificate of Authority to operate as a thrift bank was submitted to the BSP last January 17, 2025.

BDO Unibank Group includes two subsidiaries, Dominion Holdings and BDO Network, with significant NCI:

<u>Name</u>	<u>Proportion of Ownership Interest and Voting Rights</u>		<u>Profit Allocated to NCI</u>			<u>Accumulated NCI</u>		
	<u>Held by NCI</u>							
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
Dominion Holdings	11.46%	11.46%	P 23	P 30		P 380	P 730	
BDO Network	15.08%	15.09%	P 176	P 117		P 2,370	P 1,935	

The registered office and principal place of business of Dominion Holdings is located at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The registered office and principal place of business of BDO Network is located at ONB Center, Km. 9, Sasa, Davao City.

Dividends paid to NCI amounted to P373 and nil in 2024 and 2023, respectively.

The summarized financial information of Dominion Holdings and BDO Network, before intragroup eliminations, follows:

	<u>Dominion Holdings</u>		<u>BDO Network</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<i>Statements of financial position:</i>				
Total current resources	P 3,328	P 6,381	P 8,523	P 16,434
Total non-current resources	-	-	115,529	91,551
Total current liabilities	11	11	94,879	80,419
Total non-current liabilities	-	-	13,458	14,742
Equity attributable to owners of the Parent Bank	2,937	5,640	13,345	10,889
Non-controlling interest	380	730	2,370	1,935
<i>Statements of comprehensive income:</i>				
Total interest income	P 263	P 343	P 10,279	P 8,487
Total other operating income	-	1	4,558	3,896
Profit attributable to owners of the Parent Bank	179	235	1,016	767
Profit attributable to NCI	23	30	176	117
Profit	202	265	1,192	884
Total comprehensive income attributable to owners of the Parent Bank	P 169	P 244	P 967	P 751
Total comprehensive income attributable to NCI	<u>22</u>	<u>32</u>	<u>166</u>	<u>114</u>
Total comprehensive income	<u>P 191</u>	<u>P 276</u>	<u>P 1,133</u>	<u>P 865</u>
<i>Statements of cash flows:</i>				
Net cash from (used in) operating activities	P 221	P 184	P 1,360	(P 3,981)
Net cash from (used in) investing activities	6,216	(191)	(1,501)	(324)
Net cash from (used in) financing activities	(<u>3,244</u>)	<u>-</u>	(<u>1,486</u>)	<u>7,451</u>
Net cash inflow (outflow)	<u>P 3,193</u>	<u>(P 7)</u>	<u>(P 1,627)</u>	<u>P 3,146</u>

The following table presents the summarized financial information of BDO Unibank Group's associates as of and for the years ended December 31, 2024, 2023 and 2022:

	NLEX Corporation		Others		Total	
<u>December 31, 2024</u>						
<u>(Unaudited)</u>						
Assets	P	94,015	P	2,994	P	97,009
Current		6,488		2,994		9,482
Non-current		87,527		-		87,527
Liabilities		60,051		249		60,300
Current		15,559		249		15,808
Non-current		44,492		-		44,492
Equity		33,964		2,745		36,709
Revenues		23,409		15		23,424
Net profit		10,792	(	31)		10,761

		NLEX Corporation		Others (Unaudited)		Total
<u>December 31, 2023 (Audited)</u>						
Assets	P	86,712	P	3,042	P	89,754
Current		6,498		3,040		9,538
Non-current		80,214		2		80,216
Liabilities		58,570		265		58,835
Current		18,307		250		18,557
Non-current		40,263		15		40,278
Equity		28,142		2,777		30,919
Revenues		31,972		331		32,303
Net profit (loss)		10,013		221		10,234

		NLEX Corporation		TPCI* (Unaudited)		Others (Unaudited)		Total
<u>December 31, 2022 (Audited)</u>								
Assets	P	78,133	P	11,234	P	2,793	P	92,160
Current		7,743		1,952		2,791		12,486
Non-current		70,390		9,282		2		79,674
Liabilities		52,293		9,185		237		61,715
Current		10,547		1,440		223		12,210
Non-current		41,746		7,745		14		49,505
Equity		25,840		2,049		2,556		30,445
Revenues		26,228		1,580		197		28,005
Net profit (loss)		8,004		245	(	72)		8,177

* As adjusted to conform to the cost model used in the measurement of Investment Properties of BDO Unibank Group.

The following table presents the reconciliation of equity interest to NLEX Corporation as of December 31, 2024 and 2023.

		<u>2024</u>		<u>2023</u>
Net assets of NLEX Corporation	P	33,964	P	28,142
Proportion of interest		<u>12.08%</u>		<u>11.70%</u>
		4,103		3,293
Others		<u>61</u>		<u>33</u>
Carrying amount of investment	P	<u>4,164</u>	P	<u>3,326</u>

16. ASSETS AND LIABILITIES FOR LIFE INSURANCE CONTRACTS

The details of the investment securities and other assets for life insurance contract and other liabilities for life insurance contracts of the BDO Unibank Group are as follows:

			<u>2024</u>		<u>2023</u>
Investment securities and other assets					
for life insurance contracts:					
Financial assets at FVTPL	16.1	P	36,072	P	32,470
Financial assets at FVOCI	16.1		77,303		72,102
Investment securities at					
amortized cost - net			637		2,506
Loans and other receivables - net			3,630		4,083
Investment properties - net			4,208		4,381
Other resources			<u>61</u>		<u>59</u>
		P	<u><u>121,911</u></u>	P	<u><u>115,601</u></u>
Insurance contract and other liabilities					
for life insurance contracts:					
Insurance contract liabilities	16.2	P	86,170	P	77,210
Premium of deposit fund			3,944		3,819
Insurance payables			89		91
Other liabilities			<u>1,268</u>		<u>1,401</u>
		P	<u><u>91,471</u></u>	P	<u><u>82,521</u></u>

The details of the income attributable to insurance operations before income tax and minority interest of the BDO Unibank Group for the years ended December 31 are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Insurance premium - net	P 19,610	P 18,121	P 18,938
Insurance benefits and claims - net	(15,025)	(13,702)	(14,492)
Interest income	4,499	4,080	2,587
Operating expenses	(3,023)	(2,708)	(2,430)
Other income	<u>784</u>	<u>581</u>	<u>373</u>
	<u>P 6,845</u>	<u>P 6,372</u>	<u>P 4,976</u>

16.1 Financial Assets at FVTPL and FVOCI

The details of the carrying amount of financial assets at FVTPL and FVOCI of the BDO Unibank Group for life insurance contracts are as follows:

			<u>FVTPL</u>		<u>FVOCI</u>		
			<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	
Government debt securities	P	4,538	P	4,517	P	64,741	P 61,430
Corporate debt securities		4,103		3,174		6,033	7,535
Equity securities		<u>27,431</u>		<u>24,779</u>		<u>6,529</u>	<u>3,137</u>
	P	<u><u>36,072</u></u>	P	<u><u>32,470</u></u>	P	<u><u>77,303</u></u>	P <u><u>72,102</u></u>

As to currency, the financial assets are composed of the following:

	FVTPL		FVOCI	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Foreign currencies	P 3,630	P 2,441	P 6,106	P 6,572
Philippine peso	<u>32,442</u>	<u>30,029</u>	<u>71,197</u>	<u>65,530</u>
	<u>P 36,072</u>	<u>P 32,470</u>	<u>P 77,303</u>	<u>P 72,102</u>

The maturity profile of these financial assets is as follows:

	FVTPL		FVOCI	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Within one year	P 357	P 337	P 5,910	P 6,601
One to five years	2,612	2,587	18,221	17,591
Beyond five years	<u>33,103</u>	<u>29,546</u>	<u>53,172</u>	<u>47,910</u>
	<u>P 36,072</u>	<u>P 32,470</u>	<u>P 77,303</u>	<u>P 72,102</u>

Effective interest rates of debt securities at FVTPL and FVOCI range from:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
FVTPL			
Government debt securities	03.56% – 10.63%	3.38% – 10.63%	2.38% – 10.63%
Corporate debt securities	0.00% – 0.00%	0.00% – 0.00%	0.09% – 6.25%
FVOCI			
Government debt securities	2.02% – 8.13%	2.02% – 8.37%	0.00% – 10.63%
Corporate debt securities	3.45% – 8.49%	3.38% – 8.49%	3.38% – 8.49%

The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 72,102	P 47,007
Additions	19,527	23,999
Maturities and disposals	(13,718)	(2,413)
Unrealized fair value losses	(541)	3,658
Foreign currency revaluation	125	(131)
Realized fair value losses	(192)	(18)
Balance at end of year	<u>P 77,303</u>	<u>P 72,102</u>

The reconciliation of unrealized fair value losses on financial assets at FVOCI reported under equity is shown below.

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	(P 1,403)	(P 5,051)
Changes on unrealized fair value gains (losses) during the year:		
Fair value losses	(541)	3,658
Expected credit losses on FVOCI securities	(5)	8
	(1,949)	(1,385)
Realized fair value gains on securities disposed during the year - net	(192)	(18)
Balance at end of year	(P 2,141)	(P 1,403)

The fair values of government debt, quoted equity securities and corporate debt securities have been determined directly by reference to published prices generated in an active market (see Note 7.3).

16.2 Insurance Contract Liabilities

This account consists of:

	<u>2024</u>	<u>2023</u>
Legal policy reserves	P 80,747	P 71,996
Policy and contract claims payable	2,851	3,222
Policyholders' dividends	<u>2,572</u>	<u>1,992</u>
	<u>P 86,170</u>	<u>P 77,210</u>

Insurance contract liabilities may be analyzed as follows:

	<u>Insurance Contract Liabilities</u>		<u>Reinsurer's Share of Liabilities</u>		<u>Net</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Aggregate reserves for:						
Ordinary life policies	P 50,132	P 41,731	P -	P -	P 50,132	P 41,731
Variable unit-linked (VUL) contracts	29,706	29,565	-	-	29,706	29,565
Group life insurance policies	697	652	26	19	671	633
Accident and health policies	212	48	-	-	212	48
Policy and contract claims	2,851	3,222	35	40	2,816	3,182
Policyholders' dividends	<u>2,572</u>	<u>1,992</u>	<u>-</u>	<u>-</u>	<u>2,572</u>	<u>1,992</u>
	<u>P 86,170</u>	<u>P 77,210</u>	<u>P 61</u>	<u>P 59</u>	<u>P 86,109</u>	<u>P 77,151</u>

The movements in legal policy reserves are as follows:

	Legal Policy Reserves				Reinsurer's Share of Liabilities				Net			
	2024		2023		2024		2023		2024		2023	
Balance at the beginning of the year	P	71,996	P	59,321	P	19	P	20	P	71,977	P	59,301
Premiums received		19,778		18,362		87		98		19,691		18,264
Liability released for payments of death, maturity and surrender benefits and claims	(	15,718)	(	11,635)	(	80)	(	99)	(	15,638)	(	11,536)
Accretion of investment income or change in unit prices		3,869		1,183	-	-	-	-		3,869		1,183
Changes in valuation of interest rate	(	391)		4,073	-	-	-	-	(	391)		4,073
Change in assumptions/MfAD		961		731	-	-	-	-		961		731
Foreign exchange adjustments		252	(	39)	-	-	-	-		252	(	39)
Balance at end of year	P	80,747	P	71,996	P	26	P	19	P	80,721	P	71,977

The movement in Legal policy reserves for the years ended December 31, 2024 and 2023 is recognized as part of Policy reserves, insurance benefits and claims under Income Attributable to Insurance Operations - Net in the BDO Unibank Group's statements of income (see Note 25).

16.2.1 Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. The liability for life insurance contracts uses the discount rate as provided by the IC with other assumptions based on best estimate with regard to significant recent experience and appropriate margins for adverse deviations from the expected experience. Assumptions are further evaluated on a continuous basis in order to ensure adequacy of valuations. Assumptions are subject to the provisions of the Code and guidelines set by the IC.

16.2.2 Liability Adequacy Test

To test the adequacy of the statutory reserve liability, the present value of the current estimates of future cash flows is calculated without margins for adverse deviations and compared to the booked statutory reserve liability. The test for adequacy is sensitive to the following key assumptions.

- Mortality rates.** Assumptions are based on standard industry and morbidity tables, according to the type of contract written and adjusted, if appropriate, to reflect the BDO Unibank Group's own experiences. The 2017 Philippine Intercompany Mortality Table was chosen as an appropriate base table used in projecting death claims. Higher mortality and morbidity rates would lead to a larger number of claims, increasing the benefit payments and reducing profits for the shareholders.
- Discount rates.** The discount rate affects the calculated present value of the cash flows. The estimate is based on current market returns as well as expectations about future economic and financial developments. A decrease in the discount rate will increase the present value of the cash flows. The discount rate used in the LAT is 5.50% for Peso and 5.00% for Dollar in 2024, and 5.50% for Peso and 5.00% for Dollar in 2023.
- Expense assumptions.** The expense assumptions are based on the BDO Unibank Group's actual current expense experience as determined by an expense study. Future expense assumptions are projected based on the BDO Unibank Group's expense forecasts.
- Lapse and surrender rates.** The lapse and surrender rates assumed vary by product type and policy duration. These assumptions are based on the BDO Unibank Group's experience.

Reinsurers' share of liabilities is recorded as part of Others Resources under Investment Securities and Other Assets for Life Insurance Contracts - Net in the BDO Unibank Group's statements of financial position.

17. OTHER RESOURCES

The components of the other resources account are shown below.

	Notes	BDO Unibank Group		Parent Bank	
		2024	2023	2024	2023
Non-current assets held for sale	17.4	P 10,672	P 1,294	P 10,672	P 1,294
Foreign currency notes and coins on hand		10,301	8,986	10,300	8,986
Deferred charges	17.1	8,399	6,910	8,399	6,910
Retirement assets	26.2	6,676	572	6,123	-
Goodwill	17.2	4,535	4,535	1,391	1,391
Computer software - net	17.5	4,393	4,814	4,390	4,546
Branch licenses	17.3	3,020	3,020	3,020	3,020
Prepaid documentary stamps		938	1,019	866	944
Returned checks and other cash items		854	271	188	270
Customer lists - net	17.5	487	487	487	487
Real properties for development and sale		89	171	-	-
Deferred tax assets - net	31.1	45	491	-	1,790
Others	16.2.2, 17.5, 27(d)	14,701	15,198	13,158	8,688
		65,110	47,768	58,994	38,326
Allowance for impairment	18	(2,122)	(2,181)	(1,879)	(1,889)
		P 62,988	P 45,587	P 57,115	P 36,437

17.1 Deferred Charges

Deferred charges represent the unamortized portion of loan origination fees, which consist of commission and other fees related to auto loans, presented as part of Receivables from customers - Loans and discounts account under Loans and Other Receivables in the statements of financial position (see Note 11). In addition, this account also includes origination costs related to Long-term Negotiable Certificate of Deposits (LTNCD) presented as part of Time deposit liabilities under Deposit Liabilities account in the statements of financial position (see Note 19). This also includes originating costs related to Fixed Rate Bonds, Bills Payable and Senior Notes (see Note 20).

17.2 Goodwill

Goodwill represents the excess of the cost of acquisition of the Parent Bank over the fair value of the net assets acquired at the date of acquisition and relates mainly to business synergy for economics of scale and scope. This is from the acquisition of BDO Card Corporation, United Overseas Bank Philippines (UOBP), American Express Bank, Ltd., GE Money Bank, Rural Bank of San Juan, Inc., BDO RIH, BDO Network and Rural Bank of Pandi, Inc., which were acquired in 2005, 2006, 2007, 2009, 2012, 2013, 2015 and 2019, respectively.

The reconciliation of the carrying amount of goodwill (net of allowance for impairment) of the BDO Unibank Group and the Parent Bank is as follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 4,535	P 4,535	P 1,391	P 1,391
Allowance for impairment	(<u>1,514</u>)	(<u>1,514</u>)	(<u>1,391</u>)	(<u>1,391</u>)
Carrying amount	<u>P 3,021</u>	<u>P 3,021</u>	<u>P -</u>	<u>P -</u>

In 2024 and 2023, there was no movement for the goodwill account of the Parent Bank, which was already provided with full allowance.

Significant portion of goodwill of the BDO Unibank Group pertains to the goodwill from acquisition of BDO Network amounting to P2,907.

The BDO Unibank Group and the Parent Bank provided impairment losses on some of its goodwill as it does not expect any economic benefit from this asset in the succeeding periods since the branch business grew as a result of the efforts and brand of the Parent Bank and is not a result of the customers of the previous banks acquired. The recoverable amount used to determine any impairment on the goodwill from acquisition of BDO Network was based on value-in-use computed through discounting the five-year cash flow projection to be realized by the acquired entity, which do not include restructuring activities that the BDO Unibank Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The calculation of value-in-use is most sensitive to the following assumptions:

- (a) *Discount rate.* Discount rates reflect the current market assessment of the risks and are estimated based on the weighted average cost of capital. The rates are further adjusted to reflect the market assessment of any risk specific to the cash-generating unit for which future estimates of cash flows have not been adjusted. The discount rates applied to cash flow projections in 2024 and 2023 are 5.42% and 5.50%, respectively.
- (b) *Total income growth rate.* The growth rates used to extrapolate cash flow projections range from 12.56% to 14.53% in 2024 and 10.67% to 17.89% in 2023. Total income forecasts to calculate the cash flow projections are the management's best estimates after considering factors affecting growth target projection on salary loans and micro, small and medium enterprises loans offered by BDO Network.

Management assessed that no reasonably possible change in discount rates and growth rates would cause the carrying value of goodwill in 2024 and 2023 to materially exceed its recoverable amount.

The BDO Unibank Group did not recognize any impairment loss in 2024, 2023 and 2022.

17.3 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Bank to establish certain number of branches as an incentive in acquiring The Real Bank (A Thrift Bank), Inc. and Banco De Oro Savings Bank, Inc. in addition to the current branches of the acquired banks. The Parent Bank performs annual impairment testing of branch licenses.

The recoverable amount used to determine any impairment on the branch licenses was based on value-in-use computed through discounting the five-year cash flow projection, which does not include restructuring activities that the BDO Unibank Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The calculation of value-in-use is most sensitive to the following assumptions:

- (a) *Discount rate.* Discount rates reflect the current market assessment of the risks and are estimated based on the weighted average cost of capital. The rates are further adjusted to reflect the market assessment of any risk specific to the cash-generating unit for which future estimates of cash flows have not been adjusted. The discount rates applied to cash flow projections in 2024 and 2023 are 6.10% and 6.33%, respectively.
- (b) *Compound annual growth rate.* The growth rates used to extrapolate cash flow projections are 9.44% in 2024 and 8.64% in 2023. The growth rates are based on the total assets of the Parent Bank for the last five years.

Management assessed that no reasonably possible change in discount rates and growth rates would cause the carrying value of branch licenses in 2024 and 2023 to materially exceed its recoverable amount.

In 2024 and 2023, with regard to the assessment of value-in-use of the cash-generating unit, there were no allowance on impairment loss on branch licenses recognized in the BDO Unibank Group and Parent Bank's financial statements.

17.4 Non-current Assets Held for Sale

Non-current assets held for sale consist of real and other properties acquired through repossession or foreclosure that BDO Unibank Group and the Parent Bank intend to sell within one year from the date of classification as held for sale. No impairment loss was recognized in 2022 to 2024 in both the BDO Unibank Group and Parent Bank's financial statements.

In 2024, the Parent Bank obtained full ownership of the Podium Mall, located at 12 ADB Avenue, Ortigas Center, Mandaluyong City, with a carrying amount of P9,437 at the date of transfer, following the merger with TPCI (see Note 30.7). The mall was classified as a non-current asset held for sale, as the BSP required it to be disposed of within six months from the date of effectivity of the merger.

17.5 Others

Trademark arising from acquisition of Diners credit card portfolio is fully amortized as of December 31, 2024 and 2023. The amortization expense on trademark amounted to nil in both 2024 and 2023.

Other intangible assets with indefinite useful lives comprise of branch licenses, customer lists and equity securities with Philippine Clearing House Committee and LGU Guaranty Corporation amounting to P3,020, P487, P15, respectively, as of December 31, 2024, 2023 and 2022 in the BDO Unibank Group and the Parent Bank's financial statements.

Amortization expense on computer software licenses amounted to P2,141, P2,917 and P1,343 in 2024, 2023 and 2022, respectively, in the BDO Unibank Group's financial statements and P2,055, P2,842 and P1,259 in 2024, 2023 and 2022, respectively, in the Parent Bank's financial statements. These are reported as Amortization of computer software under Other Operating Expenses account in the statements of income (see Note 25).

Depreciation and amortization expense on certain assets amounting to P150, P117 and P84 in 2024, 2023 and 2022, respectively, in both BDO Unibank Group and Parent Bank's financial statements are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 25).

No additional impairment loss was recognized by the Parent Bank from 2022 to 2024 on the value of customer lists. The customer list was recognized as a result of the Parent Bank's acquisition of a trust business in 2014.

18. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment for the periods ended December 31, 2024 and 2023, are summarized below.

	Notes	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year:					
Due from other banks	9	P 58	P 15	P 55	P 14
Investment securities at amortized cost	10.3	2,126	1,644	2,115	1,640
Loans and other receivables	11	85,811	76,328	83,370	74,000
Bank premises	12	619	644	476	496
Investment properties	14	1,800	1,507	1,495	1,186
Equity investments	15	153	153	153	153
Investment securities and other assets for life insurance contracts	16	47	42	-	-
Other resources	17	<u>2,181</u>	<u>2,578</u>	<u>1,889</u>	<u>2,265</u>
		<u>92,795</u>	<u>82,911</u>	<u>89,553</u>	<u>79,754</u>
Impairment losses (recoveries):					
Due from other banks	9	(21)	46	(24)	41
FVOCI	10.2	4	-	4	-
Investment securities at amortized cost	10.3	(98)	494	(89)	486
Loans and other receivables	11	14,404	15,764	13,272	15,041
Bank premises	12	3	-	-	-
Investment properties	14	(231)	-	(237)	-
Investment securities and other assets for life insurance contracts	16	(1)	5	-	-
Other resources	17	<u>4</u>	<u>(41)</u>	<u>11</u>	<u>(44)</u>
		<u>14,064</u>	<u>16,268</u>	<u>12,937</u>	<u>15,524</u>
Write-offs and other adjustments:					
Write-offs		(8,245)	(6,321)	(7,458)	(5,714)
Foreign currency revaluation		220	(42)	219	(43)
Adjustments		(105)	(32)	-	-
Reclassification		101	32	101	32
Acquired from business combination		-	-	4	-
Reversals		<u>(145)</u>	<u>(21)</u>	<u>(101)</u>	<u>-</u>
		<u>(8,174)</u>	<u>(6,384)</u>	<u>(7,235)</u>	<u>(5,725)</u>
Balance at end of year:					
Due from other banks	9	37	58	31	55
FVOCI	10.2	4	-	4	-
Investment securities at amortized cost	10.3	2,112	2,126	2,109	2,115
Loans and other receivables	11	92,091	85,811	89,414	83,370
Bank premises	12	622	619	476	476
Investment properties	14	1,498	1,800	1,189	1,495
Equity investments	15	153	153	153	153
Investment securities and other assets for life insurance contracts	16	46	47	-	-
Other resources	17	<u>2,122</u>	<u>2,181</u>	<u>1,879</u>	<u>1,889</u>
		<u>P 98,685</u>	<u>P 92,795</u>	<u>P 95,255</u>	<u>P 89,553</u>

The BDO Unibank Group and the Parent Bank provided impairment loss (recovery) on debt securities measured as FVOCI amounting to (P25) and (P17), respectively, in 2024, P108 and P97, respectively, in 2023 and P67 and P65, respectively, in 2022. The impairment losses on debt securities classified as FVOCI are recognized as part of items that are or will be reclassified subsequently to profit or loss in the statements of comprehensive income (see Note 10.2).

The BDO Unibank Group and the Parent Bank also provided impairment loss (recovery) on loan commitments and other contingent accounts amounting to (P14), P12 and P5 in 2024, 2023 and 2022, respectively, and on miscellaneous liabilities – damage suit amounting to nil in 2024, P7 in 2023 and nil in 2022, which is recognized as part of Provision – Others under Other Liabilities in the statements of financial position (see Note 21).

The total impairment losses on certain financial assets amounted to P14,282, P16,313 and P16,497 in 2024, 2023 and 2022, respectively, in the BDO Unibank Group's statements of income and P13,164, P15,568 and P15,750 in 2024, 2023 and 2022, respectively, in the Parent Bank's statements of income.

The total impairment losses (recoveries) on non-financial assets amounted to (P218), (P44) and (P203) in 2024, 2023 and 2022, respectively, in the BDO Unibank Group's statements of income and (P227), (P44), and (P232) in 2024, 2023 and 2022, respectively, in the Parent Bank's statements of income.

19. DEPOSIT LIABILITIES

The breakdown of this account follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Demand	P 567,904	P 504,763	P 548,275	P 487,327
Savings	2,143,915	2,050,709	2,088,889	2,009,375
Time	<u>1,082,208</u>	<u>1,012,078</u>	<u>1,048,888</u>	<u>980,165</u>
	<u>P 3,794,027</u>	<u>P 3,567,550</u>	<u>P 3,686,052</u>	<u>P 3,476,867</u>

This account is composed of the following (by counterparties):

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Due to other banks:				
Demand	P 2,999	P 4,600	P 2,981	P 4,581
Savings	3,462	1,899	5,492	3,970
Time	<u>2,304</u>	<u>11,502</u>	<u>1,872</u>	<u>7,497</u>
	<u>8,765</u>	<u>18,001</u>	<u>10,345</u>	<u>16,048</u>
Due to customers:				
Demand	564,905	500,163	545,294	482,746
Savings	2,140,453	2,048,810	2,083,397	2,005,405
Time	<u>1,079,904</u>	<u>1,000,576</u>	<u>1,047,016</u>	<u>972,668</u>
	<u>3,785,262</u>	<u>3,549,549</u>	<u>3,675,707</u>	<u>3,460,819</u>
	<u>P 3,794,027</u>	<u>P 3,567,550</u>	<u>P 3,686,052</u>	<u>P 3,476,867</u>

The breakdown of deposit liabilities as to currency is as follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Philippine pesos	P 3,319,599	P 3,082,690	P 3,220,812	P 3,001,116
Foreign currencies	<u>474,428</u>	<u>484,860</u>	<u>465,240</u>	<u>475,751</u>
	<u>P 3,794,027</u>	<u>P 3,567,550</u>	<u>P 3,686,052</u>	<u>P 3,476,867</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Less than one year	P 3,743,846	P 3,499,775	P 3,637,577	P 3,411,696
One to five years	38,431	28,954	37,944	27,508
Beyond five years	11,750	38,821	10,531	37,663
	<u>P 3,794,027</u>	<u>P 3,567,550</u>	<u>P 3,686,052</u>	<u>P 3,476,867</u>

The BDO Unibank Group and the Parent Bank's deposit liabilities are in the form of demand, savings and time deposit accounts bearing annual interest rates ranging from 0.00% to 6.38% in 2024, 0.00% to 6.40% in 2023, and 0.00% to 5.38% in 2022. Demand and savings deposits usually have both fixed and variable interest rates while time deposits have fixed interest rates (see Note 24).

The BDO Unibank Group's time deposit liabilities include the Parent Bank's LTNCD as of December 31, 2024 and 2023 as follows:

<u>BSP Approval</u>	<u>Effective Rate</u>	<u>Principal Amount</u>	<u>Outstanding Balance</u>		<u>Issue Date</u>	<u>Maturity Date</u>
			<u>2024</u>	<u>2023</u>		
May 11, 2018	5.375%	7,320	P -	P 7,397	April 12, 2019	October 12, 2024
August 15, 2019	4.000%	6,500	6,500	6,500	September 27, 2019	March 27, 2025
			<u>P 6,500</u>	<u>P 13,897</u>		

The net proceeds from the issuance of LTNCD are intended to diversify the Parent Bank's maturity profile of funding source and to support its business expansion plans.

On June 23, 2023, the BSP approved BSP Circular No. 1175, *Reduction in Reserve Requirements*, which lowered the reserve requirements of universal banks (UBs) and commercial banks (KBs) from 12.0% to 9.5%, effective June 30, 2023.

On September 20, 2024, the BSP approved BSP Circular No. 1201, *Reduction in Reserve Requirements*, which lowered the reserve requirements of UBs and KBs from 9.50% to 7.00%, effective reserve week starting October 25, 2024.

20. **BILLS PAYABLE**

This account is composed of the following borrowings from:

	<u>Note</u>	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Fixed rate bonds	20.2	P 119,568	P 52,899	P 119,568	P 52,899
Foreign banks		58,324	51,133	57,593	50,454
Senior notes	20.1	49,555	47,333	49,555	47,333
Local banks		20,743	23,717	292	2,802
Deposit substitutes		13,280	14,500	13,280	14,500
		<u>P 261,470</u>	<u>P 189,582</u>	<u>P 240,288</u>	<u>P 167,988</u>

The breakdown of this account as to currency follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Foreign currencies	P 121,451	P 115,768	P 120,720	P 115,088
Philippine pesos	<u>140,019</u>	<u>73,814</u>	<u>119,568</u>	<u>52,900</u>
	<u>P 261,470</u>	<u>P 189,582</u>	<u>P 240,288</u>	<u>P 167,988</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
One to three months	P 28,193	P 80,375	P 18,885	P 73,199
More than three months to one year	113,600	31,538	111,179	26,348
More than one to three years	113,925	70,853	104,472	62,942
More than three years	<u>5,752</u>	<u>6,816</u>	<u>5,752</u>	<u>5,499</u>
	<u>P 261,470</u>	<u>P 189,582</u>	<u>P 240,288</u>	<u>P 167,988</u>

The range of annual interest rates for interest-bearing bills payable is shown in the table below (see Note 24).

	<u>2024</u>	<u>2023</u>	<u>2022</u>
BDO Unibank Group	2.13% – 7.87%	2.04% – 7.63%	0.45% – 6.50%
Parent Bank	2.13% – 6.24%	2.04% – 6.75%	2.04% – 5.87%

The following comprise the interest expense included as part of Interest Expense on bills payable and other liabilities in the statements of income (see Note 24):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>BDO Unibank Group</u>			
Fixed rate peso bonds	P 5,599	P 1,725	P 3,035
Foreign banks	3,185	2,574	851
Local banks	1,524	923	207
Senior notes	1,397	1,553	2,350
Deposit substitutes	946	847	138
Others	<u>-</u>	<u>80</u>	<u>65</u>
	<u>P 12,651</u>	<u>P 7,702</u>	<u>P 6,646</u>
<u>Parent Bank</u>			
Fixed rate peso bonds	P 5,599	P 1,725	P 3,035
Foreign banks	3,159	2,548	849
Senior notes	1,397	1,553	2,350
Deposit substitutes	946	847	138
Local banks	<u>149</u>	<u>50</u>	<u>-</u>
	<u>P 11,250</u>	<u>P 6,723</u>	<u>P 6,372</u>

20.1 Senior Notes

The Parent Bank issued US dollar denominated senior notes as follows:

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance	
				2024	2023
May 16, 2022	May 16, 2029	3.71%	100	P 5,780	P 5,526
July 13, 2020	January 13, 2026	2.13%	600	34,960	33,380
February 20, 2018	February 20, 2025	4.16%	150	8,815	8,427
				<u>P 49,555</u>	<u>P 47,333</u>

On May 16, 2022, the Parent Bank issued its maiden blue bond amounting to US\$100 million through an investment from the International Finance Corporation (IFC). The bond, with an interest rate of 3.71% and a tenor of seven years, expanded financing for projects that help prevent marine pollution and preserve clean water resources. The issuance marked a milestone for BDO Unibank Group for being the first private sector issuance for a blue bond in Southeast Asia.

The issuance of senior notes in 2020 is part of the Parent Bank's liability management initiatives to tap longer-term funding sources to support its dollar-denominated projects and refinance outstanding bonds.

The Parent Bank fully redeemed the US\$654 million Senior Notes in 2023. Partial redemption of US\$10 million was made in January 2023. Full redemption of the remaining balance amounting to US\$644 million was made in March 2023.

20.2 Issuance of Fixed Rate Peso Bonds

On August 31, 2018, the BOD approved the establishment of a P100 billion Peso Bond Program. On February 1, 2020, the BOD approved an increase of P300 billion to the Parent Bank's Peso Bond Program.

On January 28, 2022, the Parent Bank issued P52.7 billion of Peso-denominated fixed rate Association of Southeast Asian Nations (ASEAN) Sustainability Bonds. The bonds carry an interest rate of 2.9% per annum and matured on January 28, 2024.

On December 13, 2023, the BSP also issued Circular 1185 Grant of Additional Single Borrower's Limit for Financing Eligible Projects and Zero Percent Reserve Requirement Rate Against Eligible Sustainable Bonds. Reserve Requirement to be imposed for bond issuances that qualify under this category will be 1%, in the 1st year of effectivity of Circular, and 0%, in the succeeding year, effective for another 12 months.

On January 29, 2024, the Parent Bank issued P63.3 billion of Peso-denominated fixed ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.0% per annum and will mature on July 29, 2025.

On July 24, 2024, the Parent Bank issued P55.7 billion of Peso-denominated fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.3% per annum and will mature on January 24, 2026.

The Parent Bank's issuances of fixed rate peso bonds as follows (amounts in billions of Philippine Pesos):

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance	
				2024	2023
January 29, 2024	July 29, 2025	6.0%	63.3	P 63.6	P -
July 24, 2024	January 24, 2026	6.3%	55.7	55.9	-

20.3 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of liabilities arising from financing activities in 2024, 2023 and 2022, which includes both cash and non-cash changes.

BDO Unibank Group

	Foreign Banks	Senior Notes	Fixed Rate Peso Bonds	Local Banks	Deposit Substitute	BSP	Others	Total
Balance as of January 1, 2024	P 51,133	P 47,333	P 52,899	P 23,717	P 14,500	P -	P -	P 189,582
Cash flows from financing activities								
Additional borrowings	101,306	-	118,085	58,048	20,660	10	-	298,109
Repayment of borrowings	(94,736)	-	(52,899)	(61,882)	(22,609)	(10)	-	(232,136)
Non-cash financing activities								
Interest amortization	144	104	1,483	878	38	-	-	2,647
Revaluation	477	2,118	-	(18)	691	-	-	3,268
Balance as of December 31, 2024	P 58,324	P 49,555	P 119,568	P 20,743	P 13,280	P -	P -	P 261,470
Balance as of January 1, 2023	P 39,243	P 84,355	P 52,696	P 8,890	P 12,679	P -	P 1,028	P 198,891
Cash flows from financing activities								
Additional borrowings	83,782	-	-	49,602	49,465	20	4,745	187,614
Repayment of borrowings	(73,242)	(36,187)	-	(35,377)	(47,730)	(20)	(5,757)	(198,313)
Non-cash financing activities								
Interest amortization	1,572	(234)	203	670	74	-	(16)	2,269
Revaluation	(222)	(601)	-	(68)	12	-	-	(879)
Balance as of December 31, 2023	P 51,133	P 47,333	P 52,899	P 23,717	P 14,500	P -	P -	P 189,582
Balance as of January 1, 2022	P 46,881	P 73,053	P 76,436	P 2,640	P 893	P -	P 4,528	P 204,431
Cash flows from financing activities								
Additional borrowings	40,215	5,219	52,292	16,349	13,133	20	13,013	140,241
Repayment of borrowings	(49,099)	(1,205)	(76,436)	(10,126)	(1,026)	(20)	(16,512)	(154,424)
Non-cash financing activities								
Interest amortization	133	142	404	70	106	-	(1)	854
Revaluation	1,113	7,146	-	(43)	(427)	-	-	7,789
Balance as of December 31, 2022	P 39,243	P 84,355	P 52,696	P 8,890	P 12,679	P -	P 1,028	P 198,891

Parent Bank

Balance as of January 1, 2024	P 50,454	P 47,333	P 52,899	P 2,802	P 14,500	P -	P -	P 167,988
Cash flows from financing activities								
Additional borrowings	99,312	-	118,085	291	20,660	10	-	238,358
Repayment of borrowings	(92,713)	-	(52,899)	(2,802)	(22,609)	(10)	-	(171,033)
Non-cash financing activities								
Interest amortization	109	104	1,483	(30)	38	-	-	1,704
Revaluation	431	2,118	-	31	691	-	-	3,271
Balance as of December 31, 2024	P 57,593	P 49,555	P 119,568	P 292	P 13,280	P -	P -	P 240,288
Balance as of January 1, 2023	P 39,142	P 84,355	P 52,696	P -	P 12,679	P -	P -	P 188,872
Cash flows from financing activities								
Additional borrowings	81,922	-	-	2,829	49,465	10	-	134,226
Repayment of borrowings	(71,834)	(36,187)	-	-	(47,730)	(10)	-	(155,761)
Non-cash financing activities								
Interest amortization	1,539	(234)	203	33	74	-	-	1,615
Revaluation	(315)	(601)	-	(60)	12	-	-	(964)
Balance as of December 31, 2023	P 50,454	P 47,333	P 52,899	P 2,802	P 14,500	P -	P -	P 167,988
Balance as of January 1, 2022	P 45,792	P 73,053	P 76,436	P -	P 893	P -	P -	P 196,174
Cash flows from financing activities								
Additional borrowings	39,426	5,219	52,292	-	13,133	10	-	110,080
Repayment of borrowings	(47,292)	(1,205)	(76,436)	-	(1,026)	(10)	-	(125,969)
Non-cash financing activities								
Interest amortization	129	142	404	-	106	-	-	781
Revaluation	1,087	7,146	-	-	(427)	-	-	7,806
Balance as of December 31, 2022	P 39,142	P 84,355	P 52,696	P -	P 12,679	P -	P -	P 188,872

21. OTHER LIABILITIES

The other liabilities account consists of the following:

	Notes	BDO Unibank Group		Parent Bank	
		2024	2023	2024	2023
Accounts payable		P 35,015	P 25,723	P 31,954	P 21,961
Outstanding acceptances payable		22,732	13,346	22,732	13,346
Accrued expenses		19,418	19,075	17,854	17,790
Manager's checks		18,729	12,912	17,986	12,843
Lease liabilities	13.2	14,001	13,034	13,215	12,807
Bills purchased – contra		13,362	10,569	13,362	10,569
Derivatives with negative fair values	10.1, 27(d)(i)(4)	6,361	5,139	3,090	1,859
Withholding taxes payable		4,031	3,302	3,759	3,077
Lease deposits	34.2.1	2,269	1,976	519	112
Due to BSP and Treasurer of the Philippines		1,175	1,178	1,171	1,174
Capitalized interest and other charges		314	458	255	255
Due to principal		314	375	-	-
Deferred tax liabilities		-	-	90	-
Others	18, 34.1.2	13,966	12,367	13,556	11,802
		P 151,687	P 119,454	P 139,543	P 107,595

The liability for unredeemed reward points amounting to P3,486 and P3,177 as of December 31, 2024 and 2023, respectively, presented as part of Accrued expenses, represents the fair value of points earned which are redeemable significantly for goods or services provided by third parties identified by the Parent Bank as partners in the rewards program (see Note 2.16).

Others include margin deposits, life insurance deposits, cash letters of credit and other miscellaneous liabilities.

Interest expense on certain liabilities amounting to P167, P58 and P20 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group and P85, P51 and P19 in 2024, 2023 and 2022, respectively, for the Parent Bank which are presented as part of Interest expense on bills payable and other liabilities under Interest Expense account in the statements of income (see Note 24).

Impairment losses (recoveries) recognized for off-books account amounted to (P14), P12 and P5, and on miscellaneous liabilities – damage suit amounting to nil, P7 and nil, for both the BDO Unibank Group and the Parent Bank in 2024, 2023 and 2022, respectively. The accumulated impairment losses as of December 31, 2024, 2023 and 2022 amounting to P118, P203 and P233, respectively, for both the BDO Unibank Group and the Parent Bank are recorded as part of Others under Other Liabilities account in the statements of financial position (see Note 18).

22. EQUITY

22.1 Capital Stock

Capital stock consists of the following:

	<u>Number of Shares</u>		<u>Amount</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<u>Preferred shares – P10 par value</u>				
Authorized				
Balance at end of year	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>P 10,000</u>	<u>P 10,000</u>
Issued, fully paid and outstanding				
Balance at beginning of year	<u>618,000,000</u>	<u>618,000,000</u>	<u>P 6,180</u>	<u>P 6,180</u>
<u>Common shares – P10 par value</u>				
Authorized				
Balance at end of year	<u>8,500,000,000</u>	<u>8,500,000,000</u>	<u>P 85,000</u>	<u>P 85,000</u>
Issued, fully paid and outstanding				
Balance at beginning of year	<u>5,268,362,374</u>	<u>5,264,131,675</u>	<u>P 52,684</u>	<u>P 52,641</u>
Issued during the year	<u>58,129,671</u>	<u>4,230,699</u>	<u>581</u>	<u>43</u>
Balance at end of year	<u>5,326,492,045</u>	<u>5,268,362,374</u>	<u>53,265</u>	<u>52,684</u>
Treasury shares - at cost	<u>(54,234,084)</u>	<u>(5,070)</u>	<u>(7,077)</u>	<u>(1)</u>
Total Outstanding	<u>5,272,257,961</u>	<u>5,268,357,304</u>	<u>P 46,188</u>	<u>P 52,683</u>

22.1.1 Preferred Shares

The following are the features of the BDO Unibank Group and the Parent Bank's preferred shares:

- (a) Perpetual, voting, non-cumulative, convertible, non-participating, peso-denominated Series A shares;
- (b) Convertible to common shares at the option of the holder after five years from the issue date or at the option of BDO Unibank Group at any time after issue date; and,
- (c) Dividend rate is 6.50% per annum of the par value.

22.1.2 Common Shares

The Parent Bank's application for listing of its common shares was approved by the PSE on April 24, 2002. The application is for the initial listing of up to 952,708,650 common shares, with par value of P10 per share, at an offer price range of P17.80 to P23.80 per share. The proceeds from the sale of BDO Unibank's listed shares amounted to about P2,200.

On September 24, 2016, the Parent Bank's BOD authorized the Parent Bank to raise P60,000 in additional core capital through a stock rights offer. The BSP and the PSE approved the transaction on November 23, 2016 and December 14, 2016, respectively.

On January 3, 2017, the Parent Bank fixed the final terms for the stock rights offer which entitled eligible shareholders to subscribe to one common share for every 5.095 common shares held as of January 5, 2017 record date at an offer price of P83.75 per rights share. The offer period ran from January 16, 2017 to January 24, 2017.

Following the close of the offer period, the Parent Bank successfully completed its stock rights offer and 716,402,886 common shares were issued and subsequently listed on the PSE on January 31, 2017. The issuance resulted in recognition of Additional Paid-in Capital amounting to P52,662, net of related transaction costs totaling to P172. The capital supported the Parent Bank's medium-term growth objectives amid the country's favorable macroeconomic prospects and provide a comfortable buffer over higher capital requirements with the forthcoming imposition of DSIB surcharge.

The history of shares issuances from the initial public offering (IPO) and subsequently, private placements exempt from registration pursuant to Section 10.1 of the Securities Regulation Code and other issuances, is as follows:

Transaction	Subscriber	Issue Date	Number of Shares Issued
IPO	Various	May 21, 2002	908,189,550
Private placement	IFC	June 21, 2005	31,403,592
Private placement	UOBP	February 8, 2006	22,429,906
BDO-EPCIB Merger	BDO-EPCIB Merger	May 31, 2007	1,308,606,021
Private placement	IFC	August 23, 2007	31,403,592
Private placement	GE Capital International Holdings Corporation	August 20, 2009	37,735,849
Private placement	Multi Realty Development Corporation	April 23, 2010	107,320,482
Private placement	IFC	April 26, 2010	24,033,253
Private placement	IFC Capitalization (Equity) Fund, L.P.	April 26, 2010	136,315,662
Stock dividends	Various	June 8, 2012	78,218,589
Stock rights	Various	July 4, 2012	895,218,832
Private placement	Sybase Equity Investments Corporation	July 20, 2015	64,499,890
Stock options	Various employees	June 6, 2016 to December 31, 2016	4,592,430
Stock options	Various employees	January 3, 2017 to December 27, 2017	2,604,020
Stock rights	Various employees	January 31, 2017	716,402,886
Stock rights	Various employees	January 31, 2018	5,073,510
Stock options	Various employees	January 7, 2019 to December 26, 2019	7,322,270
Stock options	Various employees	January 6, 2020 to December 28, 2020	2,857,581
Stock options	Various employees	January 15, 2021 to December 15, 2021	1,291,100
Stock dividends	Various	December 29, 2022	877,337,627
Stock options	Various employees	January 17, 2022 to December 27, 2022	1,275,033
Stock options	Various employees	January 5, 2023 to December 27, 2023	4,230,699
Stock options	Various employees	February 15, 2024 to December 16, 2024	3,900,657
Treasury shares from TPCI		December 1, 2024	54,229,014
			<u>5,326,492,045</u>

22.2 BDO American Depositary Receipt Program

On April 18, 2013, the Parent Bank launched its Sponsored Level 1 American Depositary Receipt (ADR) Program by which negotiable securities representing underlying BDO common shares can be traded in the U.S. over-the-counter (OTC) market. This provides flexibility for U.S. investors to trade BDO common shares in their time zone and settle their transactions locally. It is meant to tap the pool of U.S. ADR investors, enhance visibility and global presence and diversify and broaden the Parent Bank's shareholder base. ADRs are quoted and traded in U.S. dollars, and cash dividends received on the underlying shares are paid to investors also in U.S. dollars. The ADR ratio for BDO's sponsored Level 1 ADR Program is 1:10, with each ADR representing ten underlying BDO common shares.

The sponsored Level 1 ADR Program does not necessitate the issuance of new shares as ADRs are traded on the U.S. OTC/secondary market using existing shares, in contrast to the sponsored Level II ADR or sponsored Level III ADR where shares are fully listed on a recognized U.S. exchange (e.g., NYSE, NASDAQ). As such, a Level 1 ADR is not a capital raising transaction, to differentiate it from Level III ADR, which allows the issuer to raise capital through a public offering of ADRs in the U.S. The sponsored Level 1 ADR is exempt, under U.S. SEC Rule 12g3-2(b), from SEC registration, disclosure requirements and reporting obligations, including Sarbanes-Oxley and U.S. generally accepted accounting principles.

The Parent Bank appointed Deutsche Bank (DB) as the exclusive depository of ADRs for a period of five years. As depository bank, DB is responsible for the issuance and cancellation, as well as the registration of the ADRs; custody of the underlying BDO common shares and maintenance of the register of holders; the distribution of dividends; and execution of corporate actions and services to the Issuer (i.e., BDO)/Investor/Broker. In October 2018, the Parent Bank renewed the appointment of DB as the exclusive depository of ADRs for another five years. Subsequently, the Parent Bank has renewed the appointment of DB as the exclusive depository of ADRs on an annual basis.

As of December 31, 2024 and 2023, 1,665,993 and 802,252 ADRs valued at US\$42,482,822 and US\$18,451,796 (absolute amount), respectively, remained outstanding (computed using ADR closing price of US\$25.50/share and US\$23.00/share, respectively).

22.3 Surplus Free

The details of the Parent Bank's cash dividend distributions are as follows:

<u>Date Declared and Approved</u>	<u>Common shares dividend</u>		<u>Record Date</u>	<u>Date Paid/Payable</u>
	<u>Per Share</u>	<u>Total Amount</u>		
February 24, 2022	P 0.30	P 1,316	March 14, 2022	March 31, 2022
April 22, 2022	1.00	4,386	May 6, 2022	May 31, 2022
May 28, 2022	0.30	1,316	June 14, 2022	June 30, 2022
August 26, 2022	0.30	1,316	September 13, 2022	September 30, 2022
December 3, 2022	0.30	1,579	December 20, 2022	December 29, 2022
February 24, 2023	0.75	3,949	March 13, 2023	March 31, 2023
May 27, 2023	0.75	3,949	June 14, 2023	June 30, 2023
August 25, 2023	0.75	3,951	September 12, 2023	September 29, 2023
December 6, 2023	0.75	3,951	December 22, 2023	December 29, 2023
February 24, 2024	0.75	3,952	March 12, 2024	March 27, 2024
May 25, 2024	1.00	5,269	June 11, 2024	June 28, 2024
August 31, 2024	1.00	5,272	September 17, 2024	September 30, 2024
November 28, 2024	1.00	5,272	December 13, 2024	December 27, 2024

<u>Date Declared and Approved</u>	<u>Preferred shares dividend</u>		<u>Date Paid/ Payable</u>
	<u>Per Annum</u>	<u>Total Amount</u>	
January 29, 2022	6.50%	P 339	February 22, 2022
January 28, 2023	6.50%	407	February 20, 2023
January 27, 2024	6.50%	407	February 19, 2024

On March 26, 2022, the BOD approved the declaration of stock dividends equivalent to 20% of the BDO Unibank's outstanding capital stock to be issued out of the increase in BDO Unibank's authorized capital stock (common shares) from 5,500,000,000 to 8,500,000,000 shares amounting to P85,000 with par value of P10 per share and 103,000,000 preferred shares with a par value of P10 per share, payable to all stockholders as of record date.

On November 29, 2022, the Parent Bank received the approval from the SEC for this stock dividend issuance, setting December 15, 2022 as the record date. The stock dividends were issued on December 29, 2022.

On December 7, 2024, the BOD approved the declaration of treasury shares amounting to P7,076 as property dividends (see Note 30.7). The listing of the treasury shares, and the dividend declaration shall be subject to the approvals of the PSE and SEC, respectively (see Note 30.7).

22.4 ESOP

For options that were exercised in 2024 and 2023, BDO Unibank Group issued new common shares of 3,900,657 and 4,230,699, respectively, from its authorized capital stock.

Set out below are summaries of number of options vested under the plan:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Balance at beginning of year	17,616,396	18,385,887	16,007,362	16,597,848
Vested during the year	11,292,558	10,659,436	10,691,390	10,137,563
Forfeited during the year	(34,042)	(57,825)	(34,042)	(51,400)
Expired during the year	(58,050)	(55,500)	(58,050)	(55,500)
Exercised during the year	(13,143,563)	(11,315,602)	(12,542,500)	(10,621,149)
Balance at end of year	<u>15,673,299</u>	<u>17,616,396</u>	<u>14,064,160</u>	<u>16,007,362</u>

The weighted average exercise price was P122.86 and P116.77 for the years ended December 31, 2024 and 2023, respectively.

The share options expensed and included as part of Compensation and benefits under Other Operating Expenses, and Income Attributable to Insurance Operations - Net in the BDO Unibank Group's statements of income, amounted to P981, P903 and P294 in 2024, 2023 and 2022, respectively, and in the Parent Bank's statements of income, amounted to P906, P858 and P289, respectively (see Note 26.1).

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

	2024	2023
Average option life	5 years	5 years
Average share price at grant date	P 128.20	P 140.00
Average exercise price at grant date	P 135.19	P 120.92
Average fair value of options at grant date	P 31.14	P 47.32
Average standard deviation of share price returns	26.16%	29.55%
Average dividend yield	2.86%	2.60%
Average risk-free investment rate	6.43%	6.07%

The underlying expected volatility was determined by reference to historical prices of the Parent Bank's shares over a period of one year.

22.5 Surplus Reserves

The Parent Bank appropriated its Surplus Free amounting to P580 in 2024, P23 for 2023 and P132 in 2022 representing insurance fund on losses due to fire, robbery, and other cash losses. BDO Network appropriated its Surplus Free amounting to P4, P4 and P5 in 2024, 2023 and 2022, respectively, representing insurance fund on losses due to fire, robbery and other cash losses.

The BDO Unibank Group and the Parent Bank appropriated its Surplus Free for impairment of general loan loss portfolio amounting to P2,690 and P2,391 in 2024, P2,090 and P1,986 in 2023 and P2,475 and P2,311 in 2022, respectively. The accumulated amount of appropriation to surplus reserves for general loan loss portfolio as of December 31, 2024, 2023 and 2022 amounted to P20,685, P17,995 and P15,905, respectively, for BDO Unibank Group and P19,854, P17,463 and P15,477, respectively, for the Parent Bank. This appropriation was prescribed by BSP and was recognized as part of Surplus Reserves account.

In compliance with BSP regulations, 10% of BDO Unibank Group and the Parent Bank's profit from trust business both amounting to P284, P262 and P251 in 2024, 2023 and 2022, respectively, is appropriated to surplus reserves (see Note 28).

As of December 31, 2024, outstanding surplus reserve of BDO Securities amounted to P 165 as part of the reserve fund requirement of SEC Memorandum Circular No. 16, *Adoption of the Risk Based Capital Adequacy Requirement/ Ratio for Broker Dealers*. No appropriations to surplus reserves were made in 2024, 2023 and 2022.

23. INTEREST INCOME

The interest income account consists of the following:

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Loans and other receivables	11, 27	P 222,735	P 190,067	P 135,796	P 213,513	P 182,285	P129,373
Trading and investment securities:							
At amortized cost	10.3	26,859	22,999	17,333	26,001	22,184	16,612
At FVOCI	10.2	15,540	10,682	5,145	15,004	10,019	4,641
At FVTPL	10.1	520	128	104	500	89	69
Due from BSP and other banks	8, 9	6,238	7,739	3,366	5,600	7,317	3,207
Others	23	147	89	76	133	83	66
		<u>P 272,039</u>	<u>P 231,704</u>	<u>P 161,820</u>	<u>P 260,751</u>	<u>P 221,977</u>	<u>P153,968</u>

24. INTEREST EXPENSE

Interest expense is composed of the following:

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Deposit liabilities	19, 27	P 72,012	P 50,916	P 14,977	P 69,904	P 48,914	P 13,970
Bills payable and other liabilities	20, 21, 26.2	12,395	7,462	6,958	10,976	6,526	6,659
Finance lease liabilities	13.2, 21	1,036	939	926	1,005	883	905
		<u>P 85,443</u>	<u>P 59,317</u>	<u>P 22,861</u>	<u>P 81,885</u>	<u>P 56,323</u>	<u>P 21,534</u>

25. OTHER OPERATING INCOME AND EXPENSES

Other operating income is composed of the following:

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Service charges, fees and commissions	27	P 50,803	P 43,201	P 38,545	P 42,872	P 36,677	P 31,061
Foreign exchange gains	10.1	6,824	4,867	5,789	6,593	4,614	5,182
Trust fees	28	5,113	4,698	4,555	3,943	3,539	3,395
Rental	14	3,016	1,081	1,067	595	460	492
ROPA Income	14	1,832	1,114	426	1,827	910	426
Share in net income of subsidiaries and associates	15	1,397	1,273	849	9,303	8,378	8,710
Trading gains (losses) - net	10.1	(127)	1,455	(322)	(405)	1,224	(299)
Dividends	10.1	77	17	20	21	14	18
Miscellaneous – net	25, 30.2, 34.2.1	1,958	7,609	1,295	1,681	1,498	1,144
		<u>P 70,893</u>	<u>P 65,315</u>	<u>P 52,224</u>	<u>P 66,430</u>	<u>P 57,314</u>	<u>P 50,129</u>

Other operating expenses consist of the following:

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Compensation and benefits	26.1	P 53,090	P 46,687	P 43,060	P 46,326	P 40,857	P 37,955
Fees and commissions		30,625	25,547	17,834	29,711	24,603	16,942
Taxes and licenses	14	15,968	13,179	9,746	14,412	12,060	8,707
Occupancy	12, 14, 13.3, 17.5, 27	12,298	11,908	10,350	10,402	10,602	9,182
Insurance	27	7,869	7,098	6,341	7,671	6,954	6,218
Security, clerical, messengerial and janitorial		5,244	4,791	4,172	4,575	4,423	3,843
Advertising		4,372	3,245	1,935	4,232	3,139	1,823
Information technology		2,804	2,888	1,070	2,738	2,840	1,057
Repairs and maintenance	27	2,774	2,564	2,327	2,502	2,384	2,158
Amortization of computer software	17.5	2,141	2,917	1,343	2,055	2,842	1,259
Power, light and water		1,898	1,456	1,398	1,339	1,294	1,263
Representation and entertainment		1,736	1,550	1,296	1,583	1,389	1,141
Traveling		1,296	1,084	955	854	705	638
Supplies		1,074	1,157	775	935	1,022	675
Litigation on assets acquired		973	689	854	941	665	834
Telecommunication		627	552	467	575	495	421
Freight		497	507	422	437	456	372
Miscellaneous	27	1,327	2,693	2,281	811	2,588	2,161
		<u>P 146,613</u>	<u>P 130,512</u>	<u>P 106,626</u>	<u>P 132,099</u>	<u>P 119,318</u>	<u>P 96,649</u>

26. COMPENSATION AND BENEFITS

26.1 Compensation and Benefits

Expenses recognized for compensation and benefits are presented below.

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Salaries and wages	27	P 31,311	P 27,598	P 25,419	P 27,321	P 24,162	P 22,375
Bonus		10,278	9,020	8,266	9,027	7,989	7,360
Retirement – defined benefit plan	26.2	3,602	3,277	2,923	3,106	2,836	2,583
Social security costs		2,049	1,727	1,375	1,757	1,484	1,195
Employee stock option plan	22.4, 26.3	968	896	292	906	858	289
Other benefits		4,882	4,169	4,785	4,209	3,528	4,153
	25	P 53,090	P 46,687	P 43,060	P 46,326	P 40,857	P 37,955

26.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The BDO Unibank Group and the Parent Bank maintain a fully funded, multi-employer and tax-qualified noncontributory retirement plan that is being administered by the Parent Bank's trust and investment group as trustee covering all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provided for an early retirement at age of 50 with a minimum of ten years of credited service and late retirement up to age 65. Normal retirement benefit is an amount equivalent to a percentage ranging from 50% to 200% of plan salary for every year of credited service but not less than the regulatory benefit under Republic Act No. 7641, plus the cash conversion of accumulated vacation and sick leaves, if any.

(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 and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amounts of Retirement assets recognized under Other Resources account (see Note 17), in the statements of financial position are determined as follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Present value of the DBO	P 63,752	P 53,328	P 57,476	P 48,406
Fair value of plan assets	(71,015)	(53,968)	(64,144)	(48,406)
Surplus of plan assets	(7,263)	(640)	(6,668)	-
Effect of asset ceiling	587	68	545	-
Retirement benefit assets	(P 6,676)	(P 572)	(P 6,123)	P -

The movements in the present value of the DBO are as follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Balance at beginning of year	P 53,328	P 43,139	P 48,406	P 39,252
Benefits paid by the plan	(3,158)	(3,420)	(2,920)	(3,167)
Current service cost	3,644	3,306	3,106	2,836
Interest expense	3,684	3,288	3,344	2,988
Transfer to the plan	-	-	(104)	32
Remeasurements:				
Actuarial losses				
arising from changes in:				
- financial assumptions	3,031	3,943	2,578	3,485
- experience adjustments	3,196	2,079	3,063	2,045
- demographic assumptions	27	990	-	935
Business combinations	-	3	3	-
Balance at end of year	P 63,752	P 53,328	P 57,476	P 48,406

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

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Balance at beginning of year	P 53,968	P 43,396	P 48,406	P 39,252
Contributions paid into the plan	14,045	10,714	13,255	9,447
Interest income	4,111	3,590	3,704	3,236
Benefits paid by the plan	(3,158)	(3,420)	(2,920)	(3,167)
Transfer to the plan	-	-	(104)	32
Remeasurement gain (loss) - return				
on plan assets (excluding				
amounts included in net				
interest)	2,049	(314)	1,801	(394)
Business combinations	-	2	2	-
Balance at end of year	P 71,015	P 53,968	P 64,144	P 48,406

The composition of the fair value of plan assets at the end of the reporting period for each category and risk characteristics are shown below.

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Debt securities:				
Government bonds	P 47,616	P 35,003	P 43,009	P 31,396
Corporate bonds	6,079	7,156	5,491	6,419
UITFs	7,812	5,510	7,056	4,942
Equity securities	8,003	5,138	7,229	4,608
Loans and other receivables	-	292	-	261
Cash and cash equivalents	107	76	96	68
Other properties - net	1,398	793	1,263	712
	P 71,015	P 53,968	P 64,144	P 48,406

Actual returns on plan assets were P6,160 and P5,505 in 2024 and P3,276 and P2,842 in 2023 in the BDO Unibank Group and the Parent Bank's financial statements, respectively.

Certain plan assets include BDO Unibank Group's own financial instruments [see Note 27(c)].

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

The components of amounts recognized in profit or loss and in other comprehensive income of the BDO Unibank Group and the Parent Bank in respect to the defined benefit plan are as follows:

		BDO Unibank Group		
		2024	2023	2022
<i>Recognized in profit or loss:</i>				
Current service costs	P	3,644	P 3,306	P 2,961
Interest expense (income)	(	423)	(299)	292
	P	3,221	P 3,007	P 3,253
<i>Recognized in other comprehensive income, net of tax (see Note 31.1):</i>				
Actuarial losses (gains) arising from change in:				
- experience adjustments	P	2,397	P 1,559	P 799
- financial assumptions		2,274	2,957	(4,018)
- demographic assumptions		20	743	1,436
Remeasurement losses (gains) arising from:				
- return on plan assets (excluding amounts included in net interest expense)	(	1,538)	236	2,864
- changes in the effect of the asset ceiling		386	17	27
		3,539	5,512	1,108
Share in actuarial losses (gains) of associates		1	5	(11)
	P	3,540	P 5,517	P 1,097
		Parent Bank		
		2024	2023	2022
<i>Recognized in profit or loss:</i>				
Current service costs	P	3,106	P 2,836	P 2,583
Interest expense (income)	(	359)	(248)	268
	P	2,747	P 2,588	P 2,851
<i>Recognized in other comprehensive income, net of tax (see Note 31.1):</i>				
Actuarial losses (gains) arising from change in:				
- experience adjustments	P	2,297	P 1,534	P 816
- financial assumptions		1,934	2,614	(3,569)
- demographic assumptions		-	701	1,368
Remeasurement losses (gains) arising from:				
- return on plan assets (excluding amounts included in net interest expense)	(	1,351)	295	2,612
- changes in the effect of the asset ceiling		409	-	-
		3,289	5,144	1,227
Share in actuarial losses (gains) of subsidiaries and associates		235	343	(126)
	P	3,524	P 5,487	P 1,101

Current service costs are presented as part of Compensation and benefits under Other Operating Expenses and Income Attributable to Insurance Operations - Net accounts (see Notes 16 and 25) while interest expense or income are presented or offset against Interest Expense and Income Attributable to Insurance Operations - Net accounts (see Notes 16 and 24) in the statements of income of the BDO Unibank Group and the Parent Bank.

Amounts recognized in other comprehensive income were included within the items that will not be reclassified subsequently to profit or loss in the statements of comprehensive income.

In determining the amounts of post-employment benefit obligation, the following significant actuarial assumptions were used:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Discount rates	6.04% - 6.13%	6.92%	6.09%	6.92%
Expected rate of salary increases	1.00% - 13.00%	1.00% - 13.00%	5.00% - 10.00%	5.00% - 10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 22.8 years. 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 a zero-coupon government bond with terms of maturity approximating the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the BDO Unibank Group and the Parent 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 DBO 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 is composed of investment in debt and equity instruments, UITF, cash and cash equivalents, and loans and receivables. Due to the long-term nature of plan obligation, a level of continuing debt securities is an appropriate element of the BDO Unibank Group's long-term strategy to manage the plans effectively.

(ii) *Longevity and Salary Risks*

The present value of the DBO 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, asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

(i) *Sensitivity Analysis*

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit asset as of December 31, 2024 and 2023.

BDO Unibank Group					Parent Bank				
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>		<u>Change in Assumption</u>		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
December 31, 2024									
Discount rate	+/-1%	P	3,622 (P	3,958)	+/-1%	P	3,010 (P	3,258)	
Salary increase rate	+/-1%	(	4,089)	3,584	+/-1%	(	3,359)	2,982	
December 31, 2023									
Discount rate	+/-1%	P	2,913 (P	3,276)	+/-1%	P	2,449 (P	2,723)	
Salary increase rate	+/-1%	(	3,201)	2,906	+/-1%	(	2,666)	2,447	

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 defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, BDO Unibank Group through its Compensation Committee, 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 or UITFs) with maturities that match the benefit payments as they fall due and in the appropriate currency. BDO Unibank Group 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 the plan assets as of December 31, 2024 and 2023 consists of debt instruments and equity instruments, although the BDO Unibank Group and the Parent Bank also invest in cash and cash equivalents, UITFs and properties. The debt instruments include government bonds and corporate bonds.

There has been no change in the BDO Unibank Group and the Parent Bank's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

As of December 31, 2024, the plan of the BDO Unibank Group and the Parent Bank is overfunded by P7,263 and P6,668, respectively, based on the latest actuarial valuation report.

The BDO Unibank Group and the Parent Bank expect to pay P4,412 and P3,672, respectively, as contributions to retirement benefit plans in 2025.

The expected maturity of undiscounted expected benefits payments of BDO Unibank Group and the Parent Bank from the plan for the next ten years is presented as follows:

	BDO Unibank Group		Parent Bank	
Between one to five years	P	52,224	P	48,614
Between six to ten years		<u>43,858</u>		<u>39,392</u>
	P	<u>96,082</u>	P	<u>88,006</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.4 to 15.9 years for the BDO Unibank Group and 5.6 years for the Parent Bank.

26.3 ESOP

BDO Unibank Group's ESOP expense includes the amounts recognized by the Parent Bank and its subsidiaries over the vesting period. In 2024 and 2023, vested shares totalled 11,292,558 shares and 10,659,436 shares, respectively, for BDO Unibank Group, and 10,691,390 shares and 10,137,563 shares, respectively, for Parent Bank.

The ESOP expense, included as part of Compensation and Benefits under Other Operating Expenses, and Income Attributable to Insurance Operations - Net in the BDO Unibank Group's statements of income, amounted to P981, P903 and P294 in 2024, 2023 and 2022, respectively, and in the Parent Bank's statements of income, amounted to P906, P858 and P289, respectively (see Note 26.1).

27. RELATED PARTY TRANSACTIONS

The Parent Bank created a Related Party Transactions Committee composed of two independent directors and a non-executive director as of December 31, 2024. The said committee exercises oversight role to ensure bank compliance with BSP and SEC regulations on related party transactions.

The summary of BDO Unibank Group's significant transactions with its related parties as of December 31, 2024 and 2023 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2024	2023	2022	2024	2023
DOSRI Loans	27(a)					
Stockholders		P 18,992	P 15,684	P 11,241	P 16,216	P 25,403
Related Parties under Common Ownership		-	-	2	-	-
Officers and Employees		2,891	2,398	1,900	2,749	2,352
Deposit Liabilities	27(b)					
Stockholders		671,393	537,059	500,212	1,653	21,556
Related Parties under Common Ownership		623	1,768	16,992	52	164
Directors		371	1,096	561	16	15
Other Transactions with Associates	27(d)					
Interest Income		-	559	295	-	-
Related Parties Under Common Ownership	27(d)					
Security Deposit		35	32	42	609	598
Right-of-use Asset		1,395	993	1,619	5,207	4,776
Lease Liabilities		144	104	1,361	3,109	2,764
Interest Expense		71	48	87	243	203
Depreciation Expense		209	154	263	1,061	1,018

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2024	2023	2022	2024	2023
Key Management Personnel	27(d)					
Compensation		1,842	1,703	1,673	-	-
Retirement Plan	27(c)	2,979	(194)	(263)	13,235	8,515

The summary of the Parent Bank's significant transactions with its related parties as of December 31, 2024 and 2023 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2024	2023	2022	2024	2023
DOSRI Loans	27(a)					
Stockholders		P 18,992	P 15,684	P 11,241	P 16,216	P 25,403
Related Parties under Common Ownership		-	-	2	-	-
Officers and Employees		2,889	2,398	1,898	2,746	2,350
Deposit Liabilities	27(b)					
Stockholders		671,393	537,059	500,212	1,653	21,556
Related Parties under Common Ownership		623	1,149	990	52	62
Directors		371	1,096	561	16	15
Other Transactions with Subsidiaries	27(d)					
Loans and Advances		30,714	50,421	28,755	11,006	24,284
Derivative Assets		3,205	1,425	3,059	27	15
Derivative Liabilities		2,225	8,249	1,738	28	160
Deposit Liabilities		(226)	(5,485)	6,599	5,657	5,883
Miscellaneous Assets		15	126	(83)	200	185
Miscellaneous Liabilities		-	-	28	-	-
Interest Income		1,446	1,055	183	23	191
Rent Income		132	134	143	-	-
Service Fees		1,422	1,244	1,070	-	-
Interest Expense		107	135	79	9	2
Right-of-use Asset		(237)	370	24	71	456
Lease Liabilities		(461)	396	3	85	516
Depreciation/Amortization		149	14	16	-	-
Interest Expense – Finance						
Lease Payment Payable		29	3	7	-	-
Trust Fees		202	176	120	-	-
Miscellaneous Expense		14	42	83	-	-
Insurance Expense		57	50	56	-	-
Trading Gain/Loss		(23)	(57)	230	-	-
Miscellaneous Income		145	110	123	-	-
Repairs and Maintenance		33	1	1	-	-
Fees and Commission		441	216	135	-	-
Management & other professional fees		-	1	-	-	-
Power and light		4	-	-	-	-
Rent expense		1	-	-	-	-
Other Transactions with Associates	27(d)					
Interest Income		-	559	295	-	-
Related Parties under Common Ownership	27(d)					
Security Deposit		35	32	42	609	598
Right-of-use Asset		1,395	993	1,619	5,207	4,776
Lease Liabilities		144	104	1,361	3,109	2,764
Interest Expense		71	48	87	243	203
Depreciation Expense		209	154	263	1,061	1,018
Key Management Personnel	27(d)					
Compensation		1,051	1,006	966	-	-
Retirement Plan	27(c)	2,979	(194)	(263)	13,234	8,513

In the ordinary course of business, the BDO Unibank Group and the Parent Bank have loans, deposits and other transactions with its related parties and with certain DOSRI as described in the succeeding pages.

(a) *Loans to Related Parties*

Under existing policies of the BDO Unibank Group and the Parent Bank, these loans bear interest rates ranging from 0.00% to 17.28% per annum in 2024, 0.00% to 13.50% per annum in 2023 and 0.00% to 9.00% per annum in 2022, which are substantially the same terms as loans granted to other individuals and businesses of comparable risks. For loans to a DOSRI, at least 70% of the loan, other credit accommodations and guarantees must be secured and the total amount should not exceed the combined value of their unencumbered deposit and book value of their paid-in capital contribution in the Parent Bank. Total loans, credit accommodations, and guarantees extended to DOSRIs must not exceed 15% of the total loan portfolio or 100% of the bank's net worth, whichever is lower. The unsecured portion thereof must not exceed 30% of the aggregate ceiling or the outstanding amount, whichever is lower.

Each subsidiary/affiliate's total loans, credit accommodations, and guarantees must not exceed 10% of the bank's net worth, and the unsecured portion thereof must not exceed 5% of the bank's net worth. Additionally, all subsidiaries/affiliates' total loans, credit accommodations, and guarantees must not exceed 20% of the bank's net worth.

Secured Loans to Related Parties are collateralized by publicly-listed shares, hold-out on deposits, chattels and real estate mortgages and are payable within 20 years.

The total loan releases and collections in 2024 amounted to P21,883 and P30,673 for the BDO Unibank Group and P21,881 and P30,672 for the Parent Bank, respectively. The total loan releases and collections in 2023 amounted to P18,082 and P13,703 for the BDO Unibank Group and P18,082 and P13,701 for the Parent Bank, respectively. The total loan releases and collections in 2022 amounted to P13,143 and P26,101 for the BDO Unibank Group and P13,141 and P26,100 for the Parent Bank, respectively.

(b) *Deposits from Related Parties*

The total deposits made by the related parties amounted to P672,387, P539,923 and P517,765 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group, and P672,387, P539,304 and P501,763 in 2024, 2023 and 2022 for the Parent Bank, respectively, and bearing interest rates range of 0.00% to 6.13% in 2024, 0.00% to 6.38% in 2023, and 0.00% to 5.38% 2022, respectively. The related interest expense from deposits amounted to P491, P1,035 and P935 in 2024, 2023 and 2022, respectively (see Note 24).

(c) *Transactions with Retirement Plan*

BDO Unibank Group's retirement fund has transactions directly and indirectly with BDO Unibank Group as of December 31, 2024 and 2023 and for each of the three years ended are as follows:

Related Party Category	Amounts of Transaction			Outstanding Balance	
	2024	2023	2022	2024	2023
Loans to employees					
BDO Unibank, Inc.	P -	P -	P -	P 3	P 3
Investment in shares of					
BDO Unibank, Inc.	-	-	-	3,158	2,371
Dominion Holdings	-	-	-	1	2
Deposit liabilities					
(including LTNCDs)					
BDO Unibank, Inc.	-	-	-	10,073	6,139
Trading gain (loss)					
BDO Unibank, Inc.	2,967	(205)	(271)	-	-
Interest expense					
BDO Unibank, Inc.	10	9	6	-	-
Rental income					
BDO Unibank, Inc.	2	2	2	-	-

Details of the contributions of the BDO Unibank Group and the Parent Bank, and benefits paid out by the plan to the employees are presented in Note 26.2.

(d) *Other Transactions with Related Parties*

A summary of other transactions of the Parent Bank with subsidiaries and associates and other related parties are shown in the section that follows. These transactions are generally unsecured and payable in cash, unless otherwise stated.

- (i) Transactions with and between subsidiaries have been eliminated in the BDO Unibank Group's financial statements. Significant transactions with subsidiaries are as follows:

(1) *Loans and Advances to Subsidiaries*

The Parent Bank grants noninterest-bearing advances to subsidiaries for working capital requirements, which are unsecured, payable in cash and without fixed repayment terms. The total advances granted and collected amounted to P132 and P120, P120 and P259, and P259 and P111, in 2024, 2023 and 2022, respectively. The outstanding advances to subsidiaries recognized as part of Accounts receivable under Loans and Other Receivables in the Parent Bank's statements of financial position amounted to P132 and P120 as of December 31, 2024 and 2023, respectively (see Note 11).

The Parent Bank also grants both secured and unsecured interest-bearing loans to subsidiaries with outstanding balance of P10,874 and P24,164 as of December 31, 2024 and 2023, respectively, and are presented as part of Loans and discounts under Loans and Other Receivables account in the Parent Bank's statements of financial position (see Note 11). The total loans granted amounted to P30,582, P50,301 and P28,496 while total loans collected amounted to P43,872, P35,217 and P22,217 for 2024, 2023 and 2022, respectively. These loans are payable in cash with a term between seven days to five years. Interest income recognized on these is presented as part of Interest Income in the Parent Bank's statements of income (see Note 23). Interest rate on these loans ranges from 5.50% to 7.86%, 5.86% to 7.85% and 3.32% to 6.50% per annum in 2024, 2023 and 2022, respectively.

(2) *Income to the Parent Bank*

BDO subsidiaries engaged the Parent Bank, under service agreements to provide various support such as maintenance, administration of properties/assets management, supplies procurement, facilities management, accounting functions, loan documentation, safekeeping/custodianship of securities and collateral documents, credit card services, human resources management, information technology needs, internal audit, corporate secretarial services, remittance transactions support, legal assistance on all loan and/or property/asset-related litigation, credit investigation services, security services and investigation requirements, ATM-related services, and assistance on all tax-related issues. The service agreement shall continue to be in force unless terminated by either party through a written notice, at least 30 calendar days prior to the date intended for termination. The services fees are payable monthly in cash and shall be exclusive of actual costs and expenditures of the Parent Bank in relation to the provision of the services, which shall be reimbursed by the subsidiaries to the Parent Bank.

The total service fees are presented as part of Service charges, fees and commissions under Other Operating Income account in the Parent Bank's statements of income (see Note 25). The outstanding balance arising from these transactions, presented as part of Others under Other Resources (see Note 17), amounted to P196 and P168 as of December 31, 2024 and 2023, respectively. Total service fees amounted to P1,422, P1,244 and P1,070 in 2024, 2023 and 2022, respectively.

BDO Life, BDOSHI, BDO Capital and Dominion Holdings have an existing Investment Management Agreement with the Parent Bank for trust services rendered. The total trust fees is presented as part of Trust fees under Other Operating Income account in the Parent Bank's statements of income (see Note 25). Outstanding balances arising from this as of December 31, 2024 and 2023 are included as part of Accounts receivable under Loans and Other Receivables (see Note 11). The total trust fees amounted to P202 for 2024, P176 for 2023, and P120 for 2022.

Certain subsidiaries lease office space and equipment from the Parent Bank. The total rent collected from the subsidiaries is included as part of Miscellaneous under Other Operating Income in the Parent Bank's statements of income (see Note 25). The term of the lease office space ranges from one to fifteen years and is payable in cash. There are no outstanding receivables from subsidiaries as of December 31, 2024 and 2023. The total rent income amounted to P132, P134 and P143 in 2024, 2023 and 2022, respectively.

(3) Expenses of the Parent Bank

The Parent Bank, as a lessee, recognized right-of-use assets related to lease of space for its branch operations, amounting to P71 and P456, as of December 31, 2024 and 2023, respectively, which are presented as part of Premises, Furniture, Fixtures and Equipment (see Note 12). Depreciation expense and amortization of the right-of-use assets arising from these transactions amounted to P149, P14 and P16 in 2024, 2023 and 2022, respectively, and presented as part of Occupancy under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). The total interest expense on lease liability is included as part of Interest expense on finance lease liabilities under the Interest Expense account in the Parent Bank's statements on income amounted to P29 for 2024, P3 for 2023 and P7 for 2022. Outstanding balance arising from these transactions amounted to P85, and P516 as of December 31, 2024, and 2023, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

The total amount paid for utilities and maintenance of leased properties is reported under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). The total repairs and maintenance expense amounted to P33 in 2024, and P1 for both 2023 and 2022. In 2024, the total power, light and water expense amounted to P4 while nil for both 2023 and 2022.

The Parent Bank pays for the group life insurance of its employees and life and accident insurance of enrolled qualified remitters of Kabayan accounts to BDO Life. The total amount paid is included as part of Insurance Expense account under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). Total insurance expense amounted to P57, P50 and P56 in 2024, 2023 and 2022, respectively.

In 2020, the Parent Bank purchased receivables from Dominion Holdings. This resulted in a loss amounting to P290 which was initially booked under Miscellaneous Asset and will be amortized over the term of the receivables. The amortized loss incurred was recognized as part of Miscellaneous Expense account under Other Operating Expenses in the Parent Bank's statements of income amounting to P14, P42 and P83 in 2024, 2023 and 2022, respectively (see Note 25). The outstanding balance of Miscellaneous Asset, presented as part of Others under Other Resources account in the Parent Bank's statements of financial position (see Note 17), amounted to P4 and P17 as of December 31, 2024 and 2023, respectively. No similar transaction occurred in 2024 and 2023.

The Parent Bank pays commission to BDO Network and BDO Private related to the referred trust services to the Parent Bank. Also, the Parent Bank pays for various services rendered by foreign subsidiaries and ATM-related services by BDO Network. The amount paid for both commission and services are included as part of Fees and Commissions account under Other Operating Expense in the Parent Bank's statements of income. The total payments amounted to P441, P216 and P135 in 2024, 2023 and 2022, respectively (see Note 25).

(4) Derivatives

In 2024 and 2023, the Parent Bank entered into derivative transactions with certain subsidiary in the form of currency forwards. As of December 31, 2024 and 2023, the outstanding balance of derivatives assets and liabilities are presented as part of Financial assets at FVTPL under Trading and Investment Securities account (see Note 10.1) and Derivatives with negative fair values under Other Liabilities account in the statements of financial position (see Note 21).

(5) Deposit Liabilities

The total deposits made by the subsidiaries to the Parent Bank during 2024, 2023 and 2022 amounted to P1,008,858, P883,985 and P801,252, respectively. These are with yearly corresponding withdrawals amounting to P1,009,083 for 2024, P889,470 for 2023 and P794,653 for 2022. These deposits bear interest rates of 0.00% to 6.38% in 2024, 0.00% to 6.00% in 2023 and 0.00% to 4.88% in 2022. The related interest expense from these deposits is included as part of Interest Expense account on deposit liabilities in the statements of income (see Note 24).

As of December 31, 2024 and 2023, the total assigned government securities amounted to P4,300 for BDO Private and P2,000 for BDO Network, in both years.

(6) Real Estate Joint Venture

On October 23, 2021 and November 11, 2021, the respective BOD of BDO Unibank and BDOSHI have approved the Real Estate Joint Venture Agreement between the two companies wherein BDOSHI will contribute its 3,695 square meters vacant lots and Air Rights in Valero St., Makati City. BDO Unibank will construct Annex A Building on the said lots as part of the BDO Makati Campus Project and shall bear the estimated cost of the construction subject to any adjustment based on the final calculations by the parties. As of December 31, 2024, the vacant lots are used as staging area and temporary facilities for construction of the BDO Makati Campus Project.

(ii) Other transactions with associates are shown below.

As of December 31, 2024 and 2023, there are no outstanding secured and unsecured interest-bearing loans and advances to associates for both BDO Unibank Group and the Parent Bank.

The total collections on loans and advances amounted to P7,895 and P366 for both BDO Unibank Group and the Parent Bank in 2023 and 2022, respectively.

Annual interest rates on these loans are 4.95% in 2022. The related interest income is presented as part of Interest Income on loans and other receivables in the BDO Unibank Group's statements of income (see Note 23). As of December 31, 2022, there were no impairment losses recognized on these loans and advances.

(iii) Transaction of the Parent Bank with related parties under common ownership is shown below.

The Parent Bank, as a lessee, recognized right-of-use assets related to lease of space from related parties for its branch operations, amounting to P5,207 and P4,776 as of December 31, 2024 and 2023, respectively, which is presented as part of Premises, Furniture, Fixtures and Equipment (see Note 12). Amortization expense on right-of-use assets arising from this transaction, amounting to P209, P154, and P263 in 2024, 2023 and 2022, respectively, and is presented as part of Occupancy under Other Operating Expenses account in the Parent Bank's statements of income (see Note 25). In addition, the Parent Bank recognized security deposit amounting to P609 and P598 as of December 31, 2024 and 2023, respectively, which is presented as part of Other Resources (see Note 17).

The total interest expense on lease liabilities from related parties, included as part of Interest expense on finance lease liabilities under the Interest Expense account amounted to P71, P48, and P87 in 2024, 2023 and 2022, respectively, in the Parent Bank's statements of income (see Note 24). The outstanding balances arising from this transaction amounted to P3,109 and P2,764 as of December 31, 2024 and 2023, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

The terms of the leases are from one to ten years and is payable in cash.

(iv) Key Management Personnel Compensation

The compensation and benefits given to BDO Unibank Group and the Parent Bank's key management are as follows (see Note 26.1):

	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
Salaries and other benefits	P 1,668	P 1,542	P 1,450	P 942	P 896	P 809
Retirement expense	174	161	223	109	110	157
	<u>P 1,842</u>	<u>P 1,703</u>	<u>P 1,673</u>	<u>P 1,051</u>	<u>P 1,006</u>	<u>P 966</u>

28. TRUST OPERATIONS

The following securities and other properties held by BDO Unibank Group in fiduciary or agency capacity (for a fee) for its customers are not included in BDO Unibank Group and the Parent Bank's statements of financial position since these are not resources of the BDO Unibank Group [see Note 35(h)]:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Investments	P 2,287,710	P 1,976,602	P 1,654,471	P 1,385,639
Others	17,761	13,903	13,775	11,531
	<u>P 2,305,471</u>	<u>P 1,990,505</u>	<u>P 1,668,246</u>	<u>P 1,397,170</u>

In compliance with the requirements of the General Banking Act relative to the BDO Unibank Group's trust functions:

- Investment in government securities which are shown as part of Investment securities at amortized cost with a total face value of P23,660 and P21,292 as of December 31, 2024 and 2023 (see Note 10.3), respectively, in BDO Unibank Group and, P17,010 and P14,892 as of December 31, 2024 and 2023, respectively, in the Parent Bank are deposited with the BSP as security for BDO Unibank Group's faithful compliance with its fiduciary obligations; and,
- A certain percentage of the trust income is transferred to surplus reserves. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of BDO Unibank Group's authorized capital stock. As of December 31, 2024 and 2023, the additional reserve for trust functions amounted to P284 and P262 for both the BDO Unibank Group and Parent Bank, and is included as part of Surplus Reserves account in statements of changes in equity (see Note 22.5).

Income from trust operations, shown as Trust fees under Other Operating Income account, amounted to P5,113, P4,698 and P4,555 in 2024, 2023 and 2022, respectively, in BDO Unibank Group's statements of income and P3,943, P3,539 and P3,395 in 2024, 2023 and 2022, respectively, in the Parent Bank's statements of income (see Note 25).

29. UNIT-LINKED FUNDS

VUL insurance contracts of BDO Life are life insurance policies wherein a portion of the premiums received are invested in VUL funds, which are composed mainly of investments in equity and debt securities. The withdrawal or surrender amount of a VUL policy can be computed by multiplying the total units held by the policyholder by the fund's Net Asset Value per unit, which changes daily depending on the fund's performance.

In 2013, BDO Life obtained the approval from IC to issue VUL products, where payments to policyholders are linked to internal investment funds set up by BDO Life. The VUL funds are managed by the Trust and Investment Group of the Parent Bank.

As of December 31, 2024 and 2023, BDO Life has both 11 VUL funds. The details of the investment funds, which comprise the assets backing the unit-linked liabilities, are presented in the table below. The assets and liabilities of these investment funds have been consolidated to the appropriate accounts in the BDO Unibank Group's financial statements.

	<u>2024</u>	<u>2023</u>
Assets:		
Cash and cash equivalents	P 76	P 47
Financial assets at FVTPL	29,442	29,258
Other receivables	<u>214</u>	<u>309</u>
	<u>P 29,732</u>	<u>P 29,614</u>
Liabilities and Equity:		
Other liabilities	P 175	P 178
Net assets attributable to unitholders	<u>29,557</u>	<u>29,436</u>
	<u>P 29,732</u>	<u>P 29,614</u>

30. BUSINESS COMBINATIONS, DISPOSALS AND DISSOLUTIONS

30.1 *Liquidation of BDO Remit Spain*

On February 7, 2023, BDO Remit Spain S.A. has completed its liquidation as confirmed by the Mercantile Registry of Barcelona.

30.2 *Acquisition of Additional Shares in TPCI (formerly SM Keppel Land, Inc)*

On March 25, 2023, BDO and Keppel Group (Keppel Philippines Properties, Inc. and Opon-KE Properties, Inc.) entered into a Share Purchase Agreement wherein Keppel Group agreed to sell and BDO agreed to purchase Keppel Group's 50% stake in TPCI (formerly SMKL).

The acquisition was approved and authorized by the Philippine Competition Commission and BSP on August 15, 2023 and December 14, 2023, respectively. On December 22, 2023, BDO acquired the additional 50% of the issued and outstanding capital stock of TPCI for a cash consideration amounting to P8,161, making the latter a wholly-owned subsidiary of the former. The transaction resulted in a recognition of an unrealized gain on fair valuation of previously-held interest amounting to P6,107 and an unrealized gain on bargain purchase amounting to P169 which are part of Miscellaneous - net under Other Operating Income account in the 2023 BDO Unibank Group's statement of income (see Note 25).

The remeasurement of the previously-held interest at fair value on the date of acquisition is as follows:

Fair value	P	8,271
Book value		<u>2,164</u>
Unrealized gain on fair valuation of previously-held interest	P	<u>6,107</u>

The breakdown of the acquisition-date fair value of the assets and liabilities, including the cost of investments are as follows:

Due from other banks	P	713
Loans and other receivables*		176
Premises, furniture, fixtures and equipment		29
Investment properties		25,000
Other resources		<u>955</u>
Total resources		<u>26,873</u>
Bills payable		7,580
Other liabilities		<u>2,750</u>
Total liabilities		<u>10,330</u>
Net assets acquired		<u>16,543</u>
Fair value of the investment for the previously-held interest in TPCI		8,271
Consideration transferred for the additional interest in TPCI		<u>8,161</u>
Total consideration		<u>16,432</u>
Elimination of leases intercompany accounts		<u>58</u>
Unrealized gain on bargain purchase	P	<u>169</u>

* The gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected at acquisition date amounted to P181 and P5, respectively.

As a result of the acquisition, BDO Unibank Group obtained full ownership of the Podium Complex located at 12 ADB Avenue, Ortigas Center, Mandaluyong City which TPCI develops and operates.

Pre-acquisition income arising from the step-up acquisition amounted to P301. There were no additional income or expense related to TPCI recognized in BDO Unibank Group's statement of comprehensive income after the acquisition date on December 22, 2023.

30.3 Subscription of Additional Shares in BDO Securities

On September 25, 2023, the BOD of BDO Capital approved and authorized BDO Capital to subscribe up to P250 common shares of BDO Securities to be issued in one or more tranches. The first tranche of P150 was made on October 23, 2023 and the second tranche of P100 was made on March 22, 2024.

On April 16, 2024, the BOD of BDO Securities approved the increase of its authorized capital stock from P1,000 divided into 10,000,000 common shares with par value of P100 per share to P1,800 divided into 18,000,000 common share with a par value of P100 per share. On October 4, 2024, SEC approved the increase in authorized capital stock.

On April 22, 2024, the BOD of BDO Capital approved and authorized BDO Capital to subscribe amounting to P200 common shares of BDO Securities. This was done on July 02, 2024.

30.4 Closure of BRUSA

On October 25, 2023, the BOD approved the cessation of business operations of BRUSA either through the sale or transfer of BRUSA's business and remittance licenses to potential buyer/s or dissolution and liquidation of BRUSA subject to securing and/or compliance with applicable laws and regulations.

30.5 Closure of BDO Remit UK

On May 28, 2024, the BOD of BDO Capital approved the cessation of business operations of BDO Remit UK either through the sale or transfer of BDO Remit UK's business and remittance licenses to potential buyer/s or dissolution and liquidation of BDO Remit UK subject to securing and/or compliance with applicable laws and regulations.

On November 6, 2024, the BOD of BDO Remit UK approved the dissolution and appointment of the liquidators.

30.6 Exercise of Rights in NLEX

On January 22, 2024, the BOD approved the exercise of its right to acquire additional 70,802 common shares in NLEX Corporation increasing its shareholdings from 11.70% to up to 12.20%. BSP and the Privatization Council approved the transaction on February 1, 2024, and April 25, 2024, respectively. The transaction was completed on August 9, 2024, increasing BDO's shareholdings to 12.08% (see Note 15).

30.7 Merger of TPCI (formerly SMKL) with BDO

On January 27, 2024 and January 19, 2024, the BOD of BDO and TPCI (formerly SMKL), respectively approved the merger of BDO and TPCI, a wholly owned subsidiary, with BDO as the surviving entity (the Merger). The Merger was likewise approved by the shareholders of BDO and SMKL on April 19, 2024 and January 19, 2024, respectively. The Merger and the plan and articles of merger, dated March 22, 2024, and April 25, 2024 were also approved by the BSP and the SEC on October 16, 2024, and November 18, 2024, respectively, effective December 1, 2024.

As consideration for the merger, the Parent Bank issued 54,229,014 common shares in exchange for the net assets of TPCI based on the net asset value of TPCI as of December 31, 2023, of P7,076 and BDO share price as of December 29, 2023, of P130.50 per share. At the date of merger, the Parent Bank recognized additional assets and liabilities amounting to P16,580 and P9,746, respectively, and recognized merger reserves amounting to P6,256 using the pooling of interest method as TPCI is a wholly-owned subsidiary (under common control) prior to the effectivity of the merger. Treasury shares were recognized for the newly issued BDO common shares (see Note 22.1) and shall be disposed of as property dividends to the shareholders of the Bank, as approved by the BOD on April 19, 2024, and December 7, 2024. The listing of the treasury shares, and the dividend declaration shall be subject to the approvals of the PSE and SEC, respectively (see Note 22.3).

31. TAXES

31.1 Current and Deferred Tax

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the BDO Unibank Group:

- Regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- Minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,

- The allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

The components of tax expense relating to profit or loss and other comprehensive income follows:

	BDO Unibank Group		
	2024	2023	2022
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25%	P 11,370	P 11,239	P 10,187
Final taxes at 20%, 15%, and 10%	8,361	7,295	4,011
MCIT at 2% starting July 1, 2023 and 1% in 2022	-	1	7
Adjustment to current income tax from prior year	140	-	(69)
	19,871	18,535	14,136
Deferred tax expense relating to origination and reversal of temporary differences	1,740	5,086	1,823
Adjustment to deferred income tax from prior year	(140)	-	-
	1,600	5,086	1,823
	P 21,471	P 23,621	P 15,959
<i>Reported in other comprehensive income:</i>			
Actuarial losses	(P 1,182)	(P 1,820)	(P 389)
Fair value of financial assets at FVOCI	5	6	(21)
	(P 1,177)	(P 1,814)	(P 410)
Parent Bank			
	2024	2023	2022
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25%	P 9,554	P 9,630	P 8,380
Final taxes at 20%, 15%, and 10%	7,178	6,232	3,357
Adjustment to current income tax from prior year	140	-	(68)
	16,872	15,862	11,669
Deferred tax expense relating to origination and reversal of temporary differences	1,443	4,949	1,664
Adjustment to deferred tax from prior year	(140)	-	-
	1,303	4,949	1,664
	P 18,175	P 20,811	P 13,333
<i>Reported in other comprehensive income:</i>			
Actuarial losses	(P 1,096)	(P 1,715)	(P 408)
Fair value of financial assets at FVOCI	5	4	(22)
	(P 1,091)	(P 1,711)	(P 430)

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below.

	BDO Unibank Group					
	2024		2023		2022	
Tax on pretax profit at 25%	P	25,923	P	24,295	P	18,298
Adjustment for income subjected to lower income tax rates	(	1,979)	(	1,645)	(	1,007)
Tax effects of:						
Non-deductible expenses		4,856		8,722		6,644
Income exempt from tax	(	6,658)	(	8,017)	(	7,246)
Deductible temporary differences not recognized	(	761)		168	(	914)
Net operating loss carryover (NOLCO) not recognized		89		123		94
Adjustment to current income tax from prior year		-		-	(	69)
Others		1	(	25)		159
	P	21,471	P	23,621	P	15,959
	Parent Bank					
	2024		2023		2022	
Tax on pretax profit at 25%	P	25,073	P	22,002	P	17,581
Adjustment for income subjected to lower income tax rates	(	1,682)	(	1,394)	(	738)
Tax effects of:						
Non-deductible expenses		4,462		8,341		6,306
Income exempt from tax	(	8,655)	(	8,138)	(	9,004)
Deductible temporary differences not recognized	(	1,023)		-	(	743)
Adjustment to current income tax from prior year		-		-	(	69)
	P	18,175	P	20,811	P	13,333

Components of the net deferred tax assets (see Note 17) as of December 31 follow:

	Statements of Financial Position							
	BDO Unibank Group				Parent Bank			
	2024		2023		2024		2023	
Deferred tax assets:								
Unamortized past service costs	P	3,553	P	1,956	P	3,474	P	1,466
Retirement obligation (net of OCI)	(	1,729)	(	314)	(	1,874)	(	344)
Allowance for impairment		334		1,108		324		1,026
Lease income differential		20		-		-		-
Recognition of right-of-use assets and lease liabilities	(	11)		11		-		-
Others		151		54		-		-
		2,318		2,815		1,924		2,148
Deferred tax liabilities:								
Assets held for sale	P	1,653	P	-	P	1,653	P	-
Revaluation increment		337		1,770		335		335
Capitalized interest		26		28		26		28
Retirement asset (net of OCI)		19		141		-		-
Changes in fair values of financial assets at FVOCI		4	(	1)		-	(	5)
Lease income differential		1		1		-		-
Others		233		385		-		-
		2,273		2,324		2,014		358
Net deferred tax assets (liabilities)	P	45	P	491	(P	90)	P	1,790

Movements in net deferred tax assets for the years ended December 31 follow:

	Statements of Income					
	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
Allowance for impairment	P 774	P 1,573	P 1,407	P 702	P 1,429	P 1,292
Retirement obligation (asset)	2,474	1,878	1,392	2,627	1,715	1,321
Unamortized past service costs	(1,597)	1,565	(944)	(2,008)	1,724	(910)
Recognition of right-of-use assets and lease liabilities	21	76	(19)	-	84	(37)
Lease income differential	(19)	7	(8)	-	-	-
Capitalized interest	(2)	(3)	(2)	(2)	(3)	(2)
Assets held for sale	(16)	-	-	(16)	-	-
Others	(35)	(10)	(3)	-	-	-
Deferred tax expense	P 1,600	P 5,086	P 1,823	P 1,303	P 4,949	P 1,664
	Statements of Comprehensive Income					
	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
Movements in actuarial losses	(P 1,182)	(P 1,820)	(P 389)	(P 1,096)	(P 1,715)	(P 408)
Movements in fair value of financial assets at FVOCI	5	6	(21)	5	4	(22)
Deferred tax income	(P 1,177)	(P 1,814)	(P 410)	(P 1,091)	(P 1,711)	(P 430)

Net deferred tax liabilities amounting to P1,653 were recognized in the 2024 BDO Unibank Group's statement of financial position as a result of the acquisition of TPCI (see Note 30.7).

The BDO Unibank Group is subject to MCIT, which is computed at 2% starting July 1, 2023, as defined under tax regulations or RCIT, whichever is higher.

The breakdown of NOLCO with the corresponding validity periods are as follows for the BDO Unibank Group (nil for the Parent Bank):

Year	NOLCO	Valid Until
2024	P 247	2027
2023	395	2026
2022	343	2025

The amounts of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2024 and 2023 are as follows:

	BDO Unibank Group			
	2024		2023	
	Tax Base	Tax Effect	Tax Base	Tax Effect
Allowance for impairment	P 97,479	P 24,370	P 85,971	P 21,493
NOLCO	985	246	433	108
Others	7,177	1,794	1,224	306
	P 105,641	P 26,410	P 87,628	P 21,907
	Parent Bank			
	2024		2023	
	Tax Base	Tax Effect	Tax Base	Tax Effect
Allowance for impairment	P 97,347	P 24,337	P 85,449	P 21,362
Others	7,145	1,786	1,022	256
	P 104,492	P 26,123	P 86,471	P 21,618

The BDO Unibank Group and the Parent Bank claimed itemized deduction for income tax purposes.

31.2 *Gross Receipts Tax*

Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code, is imposed on banks, non-banks financial intermediaries and finance companies (per R.A. 9238).

GRT is levied on the BDO Unibank Group's lending income, which includes interest, commission and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rates of either 7%, 5% or 1% of the related income (per R.A. 9337).

31.3 *Documentary Stamp Tax*

Documentary stamp tax (DST) (at varying rates) is imposed on the following:

- (a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
- (b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other notes payable at sight or on demand;
- (c) Acceptance of bills of exchange and letters of credit; and,
- (d) Bills of lading or receipt.

31.4 *Supplementary Information Required by the Bureau of Internal Revenue (BIR)*

The 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 SEC rules and regulations covering form and content of financial statements under the revised Securities Regulation Code Rule 68.

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

32. **EARNINGS PER SHARE**

Basic earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net profit attributable to shareholders of the Parent Bank	P 82,019	P 73,411	P 57,054
Dividends on preferred shares	<u>(407)</u>	<u>(407)</u>	<u>(339)</u>
Net profit available to common shares	81,612	73,004	56,715
Divided by the weighted average number of outstanding common shares (in millions)	<u>5,271</u>	<u>5,266</u>	<u>5,264</u>
Basic earnings per share	<u>P 15.48</u>	<u>P 13.86</u>	<u>P 10.77</u>

Diluted earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net profit attributable to shareholders of the Parent Bank	P 82,019	P 73,411	P 57,054
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	5,271	5,266	5,264
Potential common shares from assumed conversion of preferred shares	43	47	58
Potential common shares from stock option plan	<u>*</u>	<u>*</u>	<u>*</u>
Total weighted average number of common shares after assumed conversion of convertible preferred shares	<u>5,314</u>	<u>5,313</u>	<u>5,322</u>
Diluted earnings per share	<u>P 15.43</u>	<u>P 13.82</u>	<u>P 10.72</u>

* Potential common shares from assumed conversion of stock option plan made through primary issuance do not significantly affect the computation of diluted earnings per share.

33. EVENTS AFTER THE REPORTING PERIOD

33.1 Subscription to the Increase in Authorized Capital Stock of BDO Network

On August 31, 2024, the BOD of BDO Unibank approved the capital subscription of up to 50 million common shares or approximately P1,920 in BDO Network's increase in authorized capital stock. This was approved by the BSP on January 17, 2025.

On February 4, 2025, BDO Unibank subscribed to 4,812,500 of BDO Network common shares at the total subscription price of P1,847, of which, 25% or P462 has been paid. The balance of P1,385 will be paid upon call by the BDO Network BOD. On the same day, non-controlling interests subscribed to 187,500 of BDO Network common shares amounting to P72, increasing the BDO Unibank Group's ownership from 84.92% to 85.86%.

33.2 Dividend

On January 31, 2025, the Parent Bank's BOD approved the declaration of annual cash dividends on preferred shares "Series A" at the rate of 6.50% per annum of the par value for a total dividend of P408. The dividends will be paid on February 21, 2025.

33.3 BDONB Bank License Upgrade to Thrift Bank

On June 30, 2021 and August 13, 2021, the BOD and shareholders of BDONB, respectively, approved the conversion of its banking license from a rural bank to a savings bank. This was approved by the BSP on January 27, 2022 with a condition prior to the commencement of its operation as a thrift bank, among others, to secure SEC approval of its amended Articles of Incorporation (AOI) and By-Laws. SEC issued the Certificate of Filing of Amended AOI on December 27, 2024 while the BSP issued the Certificate of Authority to operate as a thrift bank on February 5, 2025.

34. COMMITMENTS AND CONTINGENCIES

34.1 *Litigations*

BDO Unibank Group has pending claims and/or is a defendant in various legal actions arising from the ordinary course of business operations. As of December 31, 2024, management believes that no such legal proceedings are expected to have material adverse effect on BDO Unibank Group's financial position.

34.1.2 *First e-Bank*

In 2002, First e-Bank ("FeB") experienced liquidity problems prompting PDIC to invite several banks to propose a solution for FeB's bailout. PDIC entered into contract with BDO Unibank where in consideration of the assumption by BDO Unibank of FeB's liabilities in the maximum amount of P10,000, PDIC will provide BDO Unibank P10,000 of Financial Assistance and PDIC will receive FeB's assets to recover said financial assistance.

About P5,000 of the financial assistance was released to BDO Unibank and the remaining P5,000 was deposited in escrow with BDO – TIG in accordance with the escrow agreement dated October 23, 2002 entered into by BDO Unibank, PDIC, and BDO – TIG.

In August 2016, PDIC authorized the release of a total amount of P4,650 from escrow inclusive of proportional interest. However, as of August 26, 2016, the amount of P1,224 remains in escrow, which includes: (i) P602, which covers assets BDO Unibank still considers capable of delivery worth P214 and the remaining assets PDIC classified as undeliverable; and (ii) all interest earnings thereon. Unable to agree on the release of the remaining amount in escrow, on September 20, 2016, the PDIC filed a Complaint for Specific Performance and Damages against BDO Unibank, which case was raffled to RTC Makati City Branch 60.

On October 14, 2016, BDO Unibank filed its Answer to the Complaint affirming that it has assumed P10,000 in liabilities of FeB and is thus entitled to release of the remaining escrow of P1,224.

In a judgment dated May 31, 2018, RTC Makati dismissed the complaint, granted BDO Unibank's counterclaim and ordered BDO – TIG to immediately release the remaining escrow amount, plus interests, to BDO Unibank. On June 18, 2018, the Parent Bank received an amount of P1,243 for the full termination of escrow. PDIC filed Notice of Appeal. In the Decision dated June 15, 2020, the Court of Appeals (CA) dismissed PDIC's appeal. PDIC filed Motion for Reconsideration but the same was denied by the CA in a Resolution dated January 25, 2021. PDIC filed Petition for Review with the Supreme Court. The BDO Unibank filed a comment. In a resolution dated July 5, 2023, the Supreme Court denied PDIC's petition for Review. PDIC filed Motion for Reconsideration.

As of December 31, 2024, the difference between the amount received and the balance of the amount in escrow amounts to P572. This is presented as part of Others under Other Liabilities account and is not yet recognized as income due to the pending Petition for Review filed by PDIC (see Note 21). The case is still pending before the Supreme Court as of December 31, 2024.

34.1.3 *Others*

BDO Unibank Group is also a defendant in various cases pending in courts for alleged claims against BDO Unibank Group, the outcomes of which are not fully determinable at present. As of December 31, 2024, management believes that liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of BDO Unibank Group and will be recognized if and when a final resolution by the courts is made on each claim.

34.2 Lease Commitments – as Lessor

The following are the significant lease commitments involving the BDO Unibank Group:

34.2.1 Finance Leases

BDO Unibank Group, as a lessor, enters into finance leases covering various equipment and vehicles with lease term ranging from one to more than four years. The BDO Unibank Group is subject to risk incidental to the operation of its leased properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from lessees due to bankruptcy or insolvency of lessees. Majority of the BDO Unibank Group's revenue from rental properties are derived from various equipment and vehicles. If the expected growth, particularly from the lessees, does not meet management's expectations, the BDO Unibank Group may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To manage its risks over these finance leases, the BDO Unibank Group retains its legal title over the underlying assets and uses these as securities over the finance lease receivables. Moreover, it requires lessees to pay security deposits, which are presented as Lease deposits under Other Liabilities in the BDO Unibank Group's statements of financial position (see Note 21).

Future minimum lease payments receivable (MLPR) under these finance leases together with the present value of net minimum lease payments receivable (NMLPR) follow:

	2024		2023	
	Future MLPR	PV of NMLPR	Future MLPR	PV of NMLPR
Within one year	P 2,284	P 2,275	P 1,897	P 1,887
After one year but not more than two years	2,014	1,939	1,388	1,337
After two years but not more than three years	1,456	1,248	1,141	980
After three years but not more than five years	<u>1,273</u>	<u>715</u>	<u>969</u>	<u>524</u>
Total MLPR	7,027	6,177	5,395	4,728
Unearned lease income	(<u>850</u>)	-	(<u>667</u>)	-
Present value of MLPR	<u>P 6,177</u>	<u>P 6,177</u>	<u>P 4,728</u>	<u>P 4,728</u>

The net investment relating to these finance leases, presented as part of Loans and discounts under Loans and Other Receivables in the BDO Unibank Group's statements of financial position for the years ended December 31, 2024 and 2023, amounted to P6,177 and P4,728, respectively, for the BDO Unibank Group and nil in both years for the Parent Bank (see Note 11). The change in the carrying amount of the net investment in finance leases during the year pertains to new lease arrangements entered, amortization of interest income and paydowns.

Interest income recognized on the net investment in finance leases is presented in the BDO Unibank Group's statements of income as follows:

	Notes	2024	2023	2022
Interest income	23	P 427	P 314	P 183
Miscellaneous – net	25	<u>3</u>	<u>2</u>	<u>2</u>
		<u>P 430</u>	<u>P 316</u>	<u>P 185</u>

34.2.2 Operating Leases

The BDO Unibank Group and the Parent Bank entered into various operating leases covering land, offices and equipment with lease terms ranging from less than one year to fifteen years. Operating lease income, presented under Rental account as part of Other Operating Income in the BDO Unibank Group's statements of income for the years ended December 31, 2024, 2023 and 2022, amounted to P3,016, P1,081 and P1,067, respectively, for the BDO Unibank Group and P595, P460 and P492, respectively, for the Parent Bank (see Note 25).

Future minimum rental receivables as of December 31, 2024 under operating leases follow:

	BDO			
	Unibank Group		Parent Bank	
Within one year	P	1,692	P	1,078
More than one year to two years		1,284		667
More than two years to three years		772		451
More than three years to four years		421		346
More than four years to five years		270		210
More than five years		404		245
	P	4,843	P	2,997

35. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some indicators of the of BDO Unibank Group and Parent Bank's financial performance.

	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
Return on common equity*	15.1%	15.2%	13.0%	15.2%	13.9%	13.0%
Return on average equity*	15.0%	15.0%	12.9%	15.1%	13.9%	12.9%
Return on average resources*	1.8%	1.7%	1.5%	1.8%	1.6%	1.5%
Net interest margin*	4.4%	4.4%	3.9%	4.3%	4.3%	3.8%

* In 2024 and 2023, average asset, capital, and interest-earning assets are computed as the simple average of outstanding balance of assets, capital, and interest-earning assets at average of December 2023 and December 2024. (2 data points)

* In 2022, averages are computed as the simple average of outstanding balance at average of December 2021, March 2022, June 2022, September 2022 and December 2022. (5 data points)

(b) Capital Instruments Issued

As of December 31, 2024 and 2023, the BDO Unibank Group has only two classes of capital stock, which are common and preferred shares.

(c) Significant Credit Exposures for Loans

The BDO Unibank Group and Parent Bank's concentration of credit risk as to industry for its receivables from customer's gross of allowance for ECL in the succeeding page (amounts in millions) are disclosed in Note 4.3.3.

BDO Unibank Group

	2024		2023	
	Amount	Percentage	Amount	Percentage
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	P 567,360	17.6%	P 453,579	15.9%
Real estate activities	410,256	12.7%	363,830	12.8%
Electricity, gas, steam and air-conditioning supply	405,938	12.6%	369,626	13.0%
Wholesale and retail trade	397,620	12.3%	356,962	12.5%
Manufacturing	306,987	9.5%	282,334	9.9%
Financial and insurance activities	256,720	8.0%	272,746	9.6%
Information and communication	163,332	5.1%	120,710	4.2%
Transportation and storage	158,473	4.9%	111,991	3.9%
Construction	103,261	3.2%	96,994	3.4%
Arts, entertainment and recreation	82,198	2.6%	72,606	2.5%
Education	82,186	2.6%	74,033	2.6%
Water supply, sewerage, waste management and remediation activities	52,768	1.6%	46,112	1.6%
Accommodation and food service activities	45,403	1.4%	41,499	1.5%
Human health and social service activities	39,406	1.2%	34,431	1.2%
Agriculture, forestry and fishing	35,865	1.1%	33,163	1.2%
Mining and quarrying	16,146	0.5%	14,688	0.5%
Administrative and support services	10,226	0.3%	10,056	0.4%
Professional, scientific, and technical activities	9,210	0.3%	8,223	0.3%
Public administrative and defense; compulsory social security	1,069	0.0%	1,159	0.0%
Other service activities	80,806	2.5%	84,055	3.0%
	P 3,225,230	100%	P 2,848,797	100%

Parent Bank

	2024		2023	
	Amount	Percentage	Amount	Percentage
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	P 562,270	18.0%	P 462,899	16.7%
Real estate activities	411,703	13.2%	365,008	13.2%
Electricity, gas, steam and air-conditioning supply	405,545	13.0%	369,586	13.3%
Wholesale and retail trade	389,472	12.5%	350,319	12.6%
Manufacturing	305,351	9.8%	280,839	10.1%
Financial and insurance activities	256,560	8.2%	272,566	9.8%
Information and communication	163,187	5.2%	120,497	4.3%
Transportation and storage	158,348	5.1%	112,117	4.0%
Construction	101,743	3.3%	95,384	3.4%
Arts, entertainment and recreation	82,192	2.6%	71,681	2.6%
Water supply, sewerage, waste management and remediation activities	52,696	1.7%	46,006	1.7%
Accommodation and food service activities	45,063	1.4%	41,373	1.5%
Human health and social service activities	39,174	1.3%	34,238	1.2%
Mining and quarrying	16,003	0.5%	14,549	0.5%
Agriculture, forestry and fishing	15,428	0.5%	18,358	0.7%
Administrative and support services	9,663	0.3%	9,818	0.4%
Professional, scientific, and technical activities	9,127	0.3%	8,150	0.3%
Education	8,899	0.3%	9,496	0.3%
Public administrative and defense; compulsory social security	1,002	0.0%	1,147	0.1%
Other service activities	87,989	2.8%	91,449	3.3%
	P 3,121,415	100%	P 2,775,480	100%

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

As of December 31, 2024, 10% of Tier 1 capital of the BDO Unibank Group and the Parent Bank amounted to P50,263 million and P46,804 million, respectively. As of December 31, 2023, 10% of Tier 1 capital of the BDO Unibank Group and the Parent Bank amounted to P44,133 million and P40,737 million, respectively. The table below shows the industry groups exceeding this level (amounts in millions).

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	P 567,360	P 453,579	P 562,270	P 462,899
Real estate activities	410,256	363,830	411,703	365,008
Electricity, gas, steam and air-conditioning supply	405,938	369,626	405,545	369,586
Wholesale and retail trade	397,620	356,962	389,472	350,319
Manufacturing	306,987	282,334	305,351	280,839
Financial and insurance activities	256,720	272,746	256,560	272,566
Information and communication	163,332	120,710	163,187	120,497
Transportation and storage	158,473	111,991	158,348	112,117
Construction	103,261	96,994	101,743	95,384
Arts, entertainment and recreation	82,198	72,606	82,192	71,681
Education	82,186	74,033	8,899	9,496
Water supply, sewerage, waste management and remediation activities	52,768	46,112	52,696	46,006
Accommodation and food service activities	45,403	41,499	45,063	41,373
Other service activities	80,806	84,055	87,989	91,449

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below:

	<u>2024</u>			<u>2023</u>		
	<u>Performing</u>	<u>Non-Performing</u>	<u>Total Loan Portfolio</u>	<u>Performing</u>	<u>Non-Performing</u>	<u>Total Loan Portfolio</u>
<u>BDO Unibank Group</u>						
Gross carrying amount:						
Corporate	P 2,432,137	P 20,468	P 2,452,605	P 2,177,894	P 20,159	P 2,198,053
Consumer	731,743	40,882	772,625	616,133	34,611	650,744
Allowance for ECL	(51,618)	(37,479)	(89,097)	(49,107)	(33,996)	(83,103)
Net carrying amount	<u>P 3,112,262</u>	<u>P 23,871</u>	<u>P 3,136,133</u>	<u>P 2,744,920</u>	<u>P 20,774</u>	<u>P 2,765,694</u>
<u>Parent Bank</u>						
Gross carrying amount:						
Corporate	P 2,424,248	P 20,465	P 2,444,713	P 2,170,092	P 20,157	P 2,190,249
Consumer	639,431	37,271	676,702	553,765	31,466	585,231
Allowance for ECL	(51,173)	(35,482)	(86,655)	(48,415)	(32,387)	(80,802)
Net carrying amount	<u>P 3,012,506</u>	<u>P 22,254</u>	<u>P 3,034,760</u>	<u>P 2,675,442</u>	<u>P 19,236</u>	<u>P 2,694,678</u>

Non-performing loans (NPL) included in the total loan portfolio of the BDO Unibank Group and the Parent Bank as of December 31, 2024 and 2023 are presented below as net of specific allowance for impairment in compliance with BSP Circular No. 941, *Amendments to Regulations on Past Due and Non-Performing Loans*.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
NPL	P 60,453	P 53,967	P 56,995	P 50,977
Allowance for impairment	(36,783)	(32,255)	(34,948)	(30,780)
	<u>P 23,670</u>	<u>P 21,712</u>	<u>P 22,047</u>	<u>P 20,197</u>

Per MORB, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

As of December 31, 2024 and 2023, the NPLs not fully covered by allowance for credit losses follow:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Gross NPLs	P 60,453	P 53,967	P 56,995	P 50,977
NPLs fully covered by allowance for impairment	(16,549)	(17,466)	(16,294)	(16,360)
	<u>P 43,904</u>	<u>P 36,501</u>	<u>P 40,701</u>	<u>P 34,617</u>

NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six months; or (b) written-off.

Restructured loans amount to P72,591 and P83,467 for BDO Unibank Group and P71,478 and P82,273 for Parent Bank as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P29,397 and P26,213 for BDO Unibank Group and P28,889 and P25,601 for Parent Bank as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank as reported to BSP were 1.83% and 0.72%, and 1.78% and 0.69%, respectively. As of December 31, 2023, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank were 1.85% and 0.74%, and 1.79% and 0.71%, respectively. Most of the NPLs are secured by real estate or chattel mortgages.

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

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to secured and unsecured follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Secured:				
Real estate mortgage	P 423,293	P 357,404	P 420,018	P 353,672
Chattel mortgage	97,485	89,946	91,236	85,142
Other securities	51,404	63,449	49,957	61,794
	572,182	510,799	561,211	500,608
Unsecured	2,653,048	2,337,998	2,560,204	2,274,872
	P 3,225,230	P 2,848,797	P 3,121,415	P 2,775,480

(f) *Information on Related Party Loans*

In the ordinary course of business, the Parent Bank engages in loan transactions with subsidiaries, affiliates, and certain DOSRI. According to Parent Bank's existing policies, these loans are made substantially under the terms comparable to those offered to other individuals and businesses with similar risk profiles. Per current BSP regulations, individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of their unencumbered deposit and book value of their paid-in capital contribution in the Parent Bank and/or any of its lending and nonbank financial subsidiaries. Aggregate loans to DOSRI generally should not surpass the total equity or 15% of the total loan portfolio of the BDO Unibank Group and the Parent Bank, whichever is lower. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

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

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Total DOSRI loans	P 18,965	P 27,755	P 18,962	P 27,753
Unsecured DOSRI loans	2,634	2,239	2,634	2,239
Past due DOSRI loans	7	4	7	4
Non-performing DOSRI loans	30	17	30	17
% of DOSRI loans to total loan portfolio	0.59%	0.97%	0.61%	1.00%
% of unsecured DOSRI loans to total DOSRI loans	13.89%	8.07%	13.89%	8.07%
% of past due DOSRI loans to total DOSRI loans	0.03%	0.02%	0.03%	0.02%
% of non-performing DOSRI loans to total DOSRI loans	0.16%	0.06%	0.16%	0.06%

DOSRI loans of the BDO Unibank Group and the Parent Bank bear annual interest rates of 4.25% to 9.00% and 4.25% to 6.94%, respectively, in 2024, and 4.00% to 9.00% and 4.00% and 7.00%, respectively, in 2023 and 2022 (except for credit card receivables which bear a monthly interest rate of 0.00% to 3.00%, 0.00% to 3.00% and 0.00% to 2.00% in 2024, 2023, and 2022, respectively, both for BDO Unibank Group and the Parent Bank).

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to related parties (inclusive of DOSRI) as of December 31 as reported to the BSP:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Total Related Party loans	P 122,679	P 126,583	P 122,636	P 126,531
Unsecured Related Party	91,825	76,068	91,825	76,068
Past due Related Party	7	4	7	4
Non-performing Related Party	30	17	30	17
% of Related Party loans to total loan portfolio	3.80%	4.44%	3.93%	4.56%
% of unsecured Related Party loans to total Related Party loans	74.85%	60.09%	74.88%	60.12%
% of past due Related Party loans to total Related Party loans	0.01%	0.00%	0.01%	0.00%
% of non-performing Related Party loans to total Related Party loans	0.02%	0.01%	0.02%	0.01%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Bank's subsidiaries and affiliates shall not exceed 10.0% of the BDO Unibank Group's net worth. Additionally, the unsecured portion of these exposures must not exceed 5.0% of the Group's net worth. Furthermore, the overall outstanding exposures to all subsidiaries and affiliates is capped at 20.0% of the Parent Bank's net worth.

As of December 31, 2024 and 2023, the BDO Unibank Group and Parent Bank is in compliance with these regulatory requirements.

(g) Secured Liabilities and Assets Pledged as Security

The aggregate amount of resources pledged as security and secured liabilities in 2024 totaled to P17,498 and P13,736 for the BDO Unibank Group and P16,718 and P13,168 for the Parent Bank, respectively. In 2023, the aggregate amount of resources pledged as security and secured liabilities totaled to P18,142 and P15,080 for the BDO Unibank Group and P17,364 and P14,500 for the Parent Bank, respectively.

(h) Contingencies and Commitments arising from Off-Balance Sheet Items

In the normal course of BDO Unibank Group and the Parent Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the BDO Unibank Group and the Parent Bank's financial statements. BDO Unibank Group and the Parent Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2024 and 2023, no additional material losses or liabilities are required to be recognized in the financial statements of BDO Unibank Group and the Parent Bank as a result of the commitments and contingencies.

The summary of BDO Unibank Group and the Parent Bank's commitments and contingent accounts is shown below.

	Notes	BDO Unibank Group		Parent Bank	
		2024	2023	2024	2023
Trust department accounts	28	P 2,305,471	P 1,990,505	P 1,668,246	P 1,397,170
Committed credit lines	4.3.2	656,129	517,560	656,129	517,560
Forward exchange sold		297,703	230,468	274,088	192,229
Forward exchange bought		278,229	202,389	255,966	164,430
Unused commercial letters of credit	4.3.2	89,081	95,526	89,081	95,526
Spot exchange sold		45,251	30,435	45,034	28,958
Other contingent accounts		41,455	10,027	47,755	16,327
Bills for collection		14,339	14,442	14,339	14,442
Export letters of credit confirmed		13,854	13,578	13,854	13,578
Spot exchange bought		12,971	5,652	11,697	4,175
ROP warrants		8,475	8,475	8,475	8,475
Late deposits/payments received		3,058	2,342	3,018	2,307
Outstanding guarantees issued		2,779	1,682	2,779	1,682
Interest rate swap receivable		1,716	3,027	1,716	3,027
Interest rate swap payable		1,716	3,027	1,716	3,027

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Medium Term Note Programme



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11April 2025

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