

Preliminary Information Statement

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[] Preliminary Information Statement
[] Definitive Information Statement
2. Name of Registrant as specified in its charter: **BDO NETWORK BANK, INC.**
3. Country of Incorporation: **Philippines**
4. SEC Identification Number: **CS201109703**
5. BIR Tax Identification Code: **413-177-215-000**
6. Address of principal office: **BDONB Corporate Center, Km. 9, Sasa, Davao City**
7. Registrant's telephone number, including area code: **(+63) 82 233 – 7777**
8. Date, time and place of the meeting of security holders: **August 8, 2025**

The meeting will be conducted in hybrid format (a combination of in-person and remote attendance) and voting by BDONB stockholders of record ("Stockholders") will solely be in absentia. The in-person meeting will be attended by BDONB Board of Directors, Management and stockholders of record, at the Board Room, Sixth Floor, BDONB Corporate Center, Km. 9, Sasa, Davao City, and will be livestreamed for stockholders participating remotely.

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **July 15, 2025**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>Number of Shares</u>
N/A	N/A

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes _____ No _____

**WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.**

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

- (a) Date : **August 8, 2025**
- Time : **11:00 AM**
- Place : **The meeting will be held at the Board Room, Sixth Floor, BDONB Corporate Center, Km. 9, Sasa, Davao City, and will be livestreamed for stockholders participating remotely**
- Mailing : **BDO NETWORK BANK, INC.**
 Address : **Office of the Corporate Secretary**
 6/F, BDONB Corporate Center
 Km. 9, Sasa, Davao City 8000
 Philippines
- (b) Approximate date on which the Information Statement is first to be sent or given to security holders: **July 17, 2025**

Item 2. Rights of Shareholders; Dissenter’s Right of Appraisal

BDO Network Bank, Inc. (**BDONB**) respects the inherent rights of shareholders in accordance with law. BDONB recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the By Laws of BDONB provides that all shares of each class should carry the same rights, and any changes in the voting rights shall be approved by them.

When a proposed corporate action would involve a substantial and fundamental change in BDONB in the cases provided by law, a stockholder may exercise his appraisal right. Pursuant to Section 81 of the Revised Corporation Code of the Philippines (the “Corporation Code”), a stockholder may exercise his appraisal right by dissenting on any of the following corporate actions and demanding payment of the fair value of his shares:

- (1) Amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
- (3) In case of merger or consolidation; or
- (4) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The procedure for the exercise of a stockholder’s appraisal right is as follows:

- (1) A stockholder shall have dissented to such corporate action;
- (2) Within thirty (30) days after the date on which the vote was taken, the dissenting stockholder shall make a written demand to BDONB for payment of the fair value of his shares.

Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

- (3) Within ten (10) days after demanding payment for his shares, the dissenting stockholder shall submit to BDONB the certificate(s) of stock representing his shares for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of BDONB, terminate his appraisal right.
- (4) No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless BDONB consents thereto.
- (5) If the corporate action is implemented or effected, BDONB shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger if such be the corporate action involved.
- (6) If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the dissenting stockholder and BDONB cannot agree on the fair value of the shares, it shall be appraised and determined by three (3) disinterested persons, one of whom shall be named by the stockholder, another by BDONB, and the third by the two (2) thus chosen.
- (7) The findings of a majority of the appraisers shall be final, and their award shall be paid by BDONB within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless BDONB has unrestricted retained earnings in its books to cover such payment.
- (8) Upon payment of the agreed or awarded price, the stockholder shall forthwith transfer his shares to BDONB.

No matter will be presented for shareholders' approval during the annual meeting which may give rise to the exercise of the right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be acted Upon

- (a) No director or officer of BDONB since the beginning of the last fiscal year, or any nominee for election as director, nor any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the meeting.
- (b) No director of BDONB has informed BDONB in writing that he intends to oppose any action to be taken by BDONB at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders

(a) Voting securities entitled to be voted at the meeting:

Title of Each Class	Number of Shares	Number of Votes Outstanding
Common Shares	55,000,000	One (1) vote per share, except in the election of directors where one share is entitled to as many votes as there are directors to be elected.
Government Preferred "A" Shares	20,560	
Total	55,020,560	

(b) Record date

Only stockholders of record in the books of BDONB as of the close of business on June 26, 2025 are entitled to notice of, and to vote at, the annual meeting.

(c) Election of Directors and Voting rights

Each shareholder holding Common Shares (each, a "Voting Share") as of record date June 26, 2025 is entitled to as many votes as there are directors to be elected. Thus, if there are nine (9) directors to be elected, each Voting Share is entitled to nine (9) votes. Such shareholder may cumulate and cast all his votes in favor of one candidate or distribute them among as many candidates as he shall see fit, provided that the total number of votes cast by him does not exceed the number of shares owned by him multiplied by the number of directors to be elected.

In accordance with the Corporation Code and the rules and regulations of the Securities and Exchange Commission (SEC), the ASM will be conducted in hybrid format (a combination of in-person and remote attendance) and voting by BDONB stockholders of record ("Stockholders") will solely be in absentia. The in-person meeting will be held at the Board Room, Sixth Floor, BDONB Corporate Center, Km. 9, Sasa, Davao City, and will be livestreamed for stockholders participating remotely. The details of which can be found in <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>>The Bank will record the video of the proceedings and maintain a copy with the Office of the Corporate Secretary. After the meeting, stockholders may access the recorded webcast of the ASM by sending an email request addressed to <corporate-secretary@bdonetworkbank.com.ph>.

For this year's Annual Stockholders' Meeting, BDONB will be allowing stockholders to participate in the meeting via remote communication and to vote in absentia.

The shareholder holding Voting Shares may nominate directors and vote by remote communication, *in absentia*, or by proxy. Stockholders of record may submit their registration for remote communication, or duly executed and signed proxies on or before July 28, 2025 at the Office of the Corporate Secretary, 6/F, BDONB Corporate Center, Km. 9, Sasa, Davao City 8000 via courier delivery or by email to <corporate-secretary@bdonetworkbank.com.ph>. Successfully registered stockholders of record opting to vote in absentia may access the ballot from BDONB's website <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>> and submit by sending a JPG or PDF form to <corporate-secretary@bdonetworkbank.com.ph> no later than August 6, 2025. Stockholders of record

opting to vote by proxy may download and print the proxy form from BDO’s website <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>>.

A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary shall be convened on August 1, 2025, 11:00 a.m., at the BDONB Corporate Center, Km. 9, Sasa, Davao City. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary’s decision shall be final and binding on the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

The detailed guidelines for participation and voting for this meeting are set forth in the **“Guidelines for Registering, Participating via Remote Communication and Voting in Absentia”** appended to this Information Statement.

(d) Security ownership of certain record and beneficial owners and management:

1. Security ownership of certain record/beneficial owners

As of June 26, 2025, the following are known to BDONB to be directly or indirectly the record and/or beneficial owners of more than 5% of BDONB’s voting securities:

Title of Class	Name, address of record owner and relationship with BDONB	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	BDO Unibank, Inc. BDO Corporate Center, 7899 Makati Avenue, Makati City	Nestor V. Tan President	Filipino	*46,163,722	**83.93%
Common	Osmanthus Investment Holdings Singapore 068906	Jovasky Wei Shen Pang	Singaporean	8,249,998	15%
TOTAL (COMMON)				498,336,582	98.93%

** The application for issuance of the Certificate Authorizing Registration to transfer the shares from various owners to BDO Unibank, Inc. in the records of the Bank is currently pending with the BIR..*

***Beneficial ownership of BDO Unibank, Inc.*

There are no voting trust shares or shares issued pursuant to a voting trust agreement registered with BDONB.

There are no arrangements which may result in a change of control of BDONB.

2. Security ownership of management

As of June 26, 2025, the directors of BDONB each own one (1) Common Share. The BDONB directors and officers own the following common shares of BDONB:

Title of Class	Name of Beneficial Owner	Position	Citizenship	Amount and Nature of Ownership	Percent of Class
Common	Nestor V. Tan	Chairman	Filipino	1 (Direct)	Nil
Common	Jaime C. Yu	Director	Filipino	1 (Direct)	Nil
Common	Jesus Antonio S. Itchon	Director/Vice Chairman and President	Filipino	1 (Direct)	Nil
Common	Rolando C. Tanchanco	Director	Filipino	1 (Direct)	Nil
Common	Evelyn Cristina A. Cam	Independent Director	Filipino	1 (Direct)	Nil
Common	Ma. Leonora V. De Jesus	Independent Director	Filipino	1 (Direct)	Nil
Common	Anabelle L. Chua	Independent Director	Filipino	1 (Direct)	Nil
Common	Jovasky Wei Shen Pang	Director	Singaporean	1 (Direct)	Nil
Common	Geneva T. Gloria	Director	Filipino	1 (Direct)	Nil
Common	Joseph Jason M. Natividad	Corporate Secretary	Filipino	0	Nil
Common	Ma. Cecilia S. Santos	Assistant Corporate Secretary	Filipino	0	Nil
TOTAL				9	Nil

Item 5. Directors and Executive Officers

(a) Directors and Corporate Officers

The Board of Directors has nine (9) board seats and is currently composed of nine (9) directors with a combination of executive and non-executive directors which includes independent directors. All are professionals with competencies and experience in the fields of banking, accounting, economics, microfinance, law and agri-business.

The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of BDONB. It is also responsible for the proper administration and management of BDONB's business. The members of the Board are elected specially by the stockholders to hold office for a term of one (1) year, and shall serve until their respective successors have been elected and qualified. In all cases, subject to the approved qualification and disqualification criteria established under the Corporate Governance Committee, BSP's fit and proper rule and other existing laws and regulations.

The Board of Directors meets monthly or as may be necessary, to discuss BDONB's operations and act upon matters requiring Board action. Materials containing matters to be taken up during the Board meeting are distributed to the directors at least five (5) days prior to the scheduled Board meeting.

Following is the list of the members of the Board, and the corporate officers and their business experience during the past five (5) years:

Directors' Profile

Nestor V. Tan
Chairman
Non-Executive Director
Filipino, 67 years old

Nestor V. Tan is the Chairman and Director of BDONB. He was first elected as Director of BDONB on 18 August 2015. He is the President and Chief Executive Officer of BDO Unibank, Inc., and concurrently Chairman of BDO Strategic Holdings, Inc. He also holds the following positions in the BDO Group: Vice chairmanships and/or directorships in BDO Capital & Investment Corporation, BDO Finance Corporation, BDO Life Assurance Company, Inc., BDO Private Bank, Inc., Inc., and, Trusteeship of BDO Foundation, Inc.

In addition, he is currently 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 and current 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.

Jesus Antonio S. Itchon
Vice Chairman and President
Executive Director
Filipino, 64 years old

Jesus Antonio S. Itchon is the President and Vice Chairman of BDONB and was elected Director of BDONB in 15 September 2017. Prior to joining BDONB, he served as Executive Vice President of Property Company of Friends, Inc., an affordable residential and estate developer, and as Independent Director of Paymaya Phils., Inc., subsidiary of Smart Communications, Inc. He has more than 35 years of experience in banking and finance, holding key positions such as Managing Director of Citibank N.A. and President of Citibank Savings, Inc. He holds a bachelor's degree in Economics from De La Salle University and earned his MBA at the Johnson Graduate School of Management, Cornell University.

Jovasky Wei Shen Pang
Non-Executive Director
Singaporean, 49 years old

Jovasky Wei Shen Pang is a Director of BDONB. He is likewise the Director and Chief Executive Officer of Archipelago Capital Partners Pte Ltd., a Singapore based fund that invests in small to mid-market companies in Southeast Asia, and a Director of Archipelago Asia Focus Investment VCC. Prior to Archipelago, Mr. Pang spent over a decade at Temasek and Fullerton Financial Holdings (FFH). As the Global Head of SME and Consumer Banking at FFH, the financial services investment arm of Temasek Holdings, he was responsible for FFH's investments into financial institutions and the strategy and management of these companies. In

the initial years at Temasek, he was instrumental in the turnaround of Bank Danamon in Indonesia and building the microfinance and SME banking business models which were subsequently replicated regionally in other portfolio investments. He also served for six years as the CEO of BOC Fullerton Community Bank and built it up to become the largest village bank network in China. BOC Fullerton Community Bank had won numerous national awards for excellence in service and innovation, and Mr. Pang was named Banking CEO of the Year (small bank category by the Economic Observer).

Mr. Pang started his career at a global consulting firm, McKinsey & Company. He worked extensively with clients across many markets (e.g. Korea, China, Australia, Malaysia, Taiwan, etc.) and was one of the founders of McKinsey's Financial Institution Practice in South-east Asia. Mr. Pang holds a Bachelor of Arts (Hons) and a Master of Arts in Philosophy, Politics and Economics from Oxford University in the United Kingdom.

Jaime C. Yu
Non-Executive Director
Filipino, 67 years old

Jaime C. Yu was elected to the Board of Directors of BDONB on August 18, 2015. He concurrently is also a Director of BDO Insurance Brokers, Inc. and BDO Life Assurance Company, Inc. He retired from BDO Unibank Inc. last March 31, 2023 as Senior Executive Vice President Group Head of Branch Banking Group, a position he has held for the last 25 years. He holds a Bachelor of Arts degree in Economics from the De La Salle University and is a MBA graduate from the Ateneo de Manila University. He has extensive experience in commercial, corporate and investment banking from the International Corporate Bank and Union Bank of the Philippines where he held various positions up to his appointment as First Vice President and Region Head for the Manila-Pasay area. He joined BDO in December 1997 and managed the banks entire branch network until his retirement.

Rolando C. Tanchanco
Non-Executive Director
Filipino, 63 years old

Rolando C. Tanchanco is Senior Executive Vice President of BDO Universal Bank and Head of its Consumer Banking Group. His responsibilities cover all retail lending businesses (Home Mortgages, Auto Financing, Multi-Purpose Loan, Credit Cards and Personal Loans), Payment Channels and Digital Banking. He currently sits on the board of BDO Network Bank Inc., BDO Insurance Brokers Inc. and TransUnion Phils Inc. Mr. Tanchanco is a member of Visa Asia Pacific Client and Risk Councils, American Express Partner Advisory Council, and UnionPay SEA Regional Council.

Prior to joining BDO, Mr. Tanchanco was president of AIG Savings Bank and Managing Director of AIG Credit Card Company. He has extensive banking experience having worked in several multinational organizations like Citibank, HSBC and AIG. He holds a Bachelor's degree in Business Economics, cum laude from the University of the Philippines and a Master's degree from the Asian Institute of Management.

Evelyn Cristina Ang Cam
Independent Director
Filipino, 44 years old

Evelyn Cristina Ang Cam, CFA, is an Independent Director of BDONB since August 28, 2020. She is the Managing Director and Chief of Operations of Cam & Company, Inc. since 2015, a family owned and Davao-based corporation engaged in Agribusiness and Commercial Real Estate. Moreover, she holds ownership stakes in the following privately held companies, namely: 1.) Cam Marketing, Inc., a Davao-based corporation engaged in Mindanao distribution of veterinary and animal health products; 2.) Five Jewels Corporation, a Davao-based corporation engaged in the distribution of United Laboratories Products and B Meg Animal Feeds; 3.) South Sea Designs, Inc., a Davao-based corporation engaged in real estate and distribution of B Meg Animal Feeds for large farms; 5.) Phil Agro Industrial Corporation, a Bukidnon-based corporation engaged in the manufacture of cassava starch, and which also provides financing and technical assistance to cassava farmers; and 6.) FJC Farm, Inc., a Bukidnon-based corporation engaged in hog raising.

Ms. Cam holds a Bachelor of Arts in Management Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the Tuck School of Business at Dartmouth College. She successfully passed Level 3 of the CFA (Chartered Financial Analyst) exam in 2010 and earned her charter thereafter. Ms. Cam is a current member of the CFA Philippine Society as well as the Hog Farmers Association of Davao City.

Ma. Leonora V. De Jesus
Independent Director
Filipino, 74 years old

Ma. Leonora V. De Jesus was elected as Independent Director of BDONB on May 19, 2018. She is presently the Chairperson of the Bank's Board Audit Committee, and a member of the Corporate Governance Committee, and Related Party Transactions Committee. She is also an Independent Director of STI Education Systems Holdings, Inc. and STI Education Services Group, Inc. Ms. De Jesus also serves as Director of Risks, Opportunities Assessment and Management (ROAM), Inc. In addition, she is an accredited SEC trainor on corporate governance. In the past, Ms. De Jesus was an Independent Director of Dominion Holdings, Inc (formerly BDO Leasing and Finance, Inc.), Equitable Savings Bank, PCI Capital Corporation, and BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and a Director of SM Development Corporation. She was formerly the University President of the Pamantasan ng Lungsod ng Maynila and was a professorial lecturer at the University of the Philippines, Diliman, and at the De La Salle Graduate School of Business and Governance. She attended a training on Portfolio Management at the New York Institute of Finance, and a Housing Finance course at the Wharton School of Business. She was also a member of the Board of Governors of the Philippine National Red Cross. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004, and was a member of the cabinet of Presidents Corazon C. Aquino, Fidel V. Ramos and Joseph E. Estrada. She holds bachelor's (cum laude), master's and doctorate degrees in Psychology from the University of the Philippines.

Anabelle L. Chua
Independent Director
Filipino, 64 years old

Ms. Chua is an Independent Director of Monde Nissin Corporation, where she also serves as Chairperson of the Audit Committee and a member of the Risk and Related Party Transactions Committee, and of the

Corporate Governance, Nomination and Remuneration Committee. Ms. Chua was also elected as Independent Director of BDO Securities Corporation effective April 22, 2025. She previously held key board and committee roles in The Philippine Stock Exchange, Meralco, Maya Philippines, and Maya Bank, among others. Her extensive directorships span major companies including Smart Communications, various PLDT group subsidiaries, MediaQuest Holdings, TV5, Signal TV, Philstar Group, Business World, Meralco PowerGen, Global Business Power, and the Securities Clearing Corporation of the Philippines. Ms. Chua served as PLDT Group Chief Financial Officer, Chief Risk Management Officer, Senior Vice President and Treasurer. She was also Chief Financial Officer of Smart Communications. Earlier in her career, she held various leadership roles in Citibank, N.A., and was a controller at Solid Pacific Finance Ltd. in Hong Kong.

She availed of early retirement from PLDT in April 2023 and became an Independent Director at Monde Nissin in September 2023. Ms. Chua graduated magna cum laude with a BS in Business Administration and Accountancy from the University of the Philippines and topped the October 1982 CPA Board Exams. She was named ING-FINEX CFO of the Year in 2021.

Geneva T. Gloria
Non-Executive Director
Filipino, 60 years old

Geneva T. Gloria, 60, Filipino, holds the position of Senior Vice President & Head of Remittance-Transaction Banking Group at BDO Unibank, Inc. She also assumes directorships in the following subsidiaries: BDO Network Bank, Inc., BDO Remit International Holdings B.V., BDO Remit (Canada) Ltd., BDO Remit (Japan) Ltd., BDO Remit Limited, BDO Remit (USA), Inc., BDO Remit (Macau) Limited and Dominion Holdings, Inc. Ms. Gloria's banking career spans more than three decades, with almost 30 years of experience in the remittance business. Her expertise encompasses business development, operations, project management, marketing, as well as both local and foreign remittance. She gained a deep understanding of the overseas Filipino market during her five-year tenure as an expatriate, where she operated remittance subsidiaries. Under Ms. Gloria's leadership, BDO Unibank, Inc. (BDO) consistently received the BSP's "Commercial Bank that Generated the Largest Overseas Filipino Remittances" Award from 2008-2010 and 2013-2019. Ms. Gloria has been supporting various government projects for the Overseas Filipino Market. In 2014, Ms. Gloria & her team launched a grassroots marketing campaign across the country, alongside financial literacy programs for clients overseas. The project has then expanded into community marketing efforts in remote areas through the combined networks of BDO & BDO Network Bank. Ms. Gloria led the two institutions into maximizing both of the banks' reach & accessibility – successfully reaching the underserved & unserved markets & fulfilling the bank's commitment to financial inclusion. Through Ms. Gloria, the Bank's synergy with SM has also evolved into making the latter an avenue for the Overseas Filipino market to enjoy exclusive offers made especially for them. Ms. Gloria received her Bachelor of Science degree in Business Administration from the University of the Philippines.

Joseph Jason M. Natividad
Corporate Secretary
Filipino, 52 years old

Joseph Jason M. Natividad is the Corporate Secretary of BDO Network Bank, Inc. since January 4, 2020. He concurrently holds the position of Corporate Secretary of Dominion Holdings, Inc. (formerly BDO Leasing

and Finance, Inc.), the DSV/Agility Group of Companies in the Philippines, and serves as a member of the Board of Directors and Corporate Secretary of Gaia South, Inc. and a Director, Treasurer and Corporate Secretary of Luster and Gray Inc. He is also the Assistant Corporate Secretary of BDO Insurance Brokers, Inc. He served as Assistant Corporate Secretary of Equitable PCI Bank from September 2006 to June 2007, prior to its merger with BDO Unibank, Inc., BDO Rental, Inc., and BDO Securities Corporation. He is also the Board Secretary of the Private Education Retirement Annuity Association (PERAA), a retirement fund administrator of private schools. Atty. Natividad was recently appointed as Corporate Secretary of Regan Industrial Sales Inc., Supreme Steel Pipe Corp., Kirin Resources Inc., Superior Land Holdings Corp. and Win-Max Development Corp. Atty. Natividad is currently a partner at the Factoran and Natividad Law Offices.

He has been in law practice for more than 25 years, mainly in the fields of corporate law and environmental law. He has a Bachelor's Degree in Management, major in Legal Management, from the Ateneo de Manila University, and obtained his Juris Doctor degree from the Ateneo de Manila University School of Law.

Ma. Cecilia S. Santos
Assistant Corporate Secretary
Filipino, 59 years old

Ma. Cecilia S. Santos is the Assistant Corporate Secretary of BDONB since September 26, 2015. She is concurrently the First Vice President and Alternate Corporate Information Officer of BDO Unibank, Inc. She is the Corporate Secretary of BDO Finance Corporation, BDO Foundation, Inc., BDO Strategic Holdings, Inc., Ivory Homes, Inc., Averon Holdings Corporation, BDO Rental, Inc., Equimark-NFC Development Corporation, and Nashville Holdings, Inc. Further, she is also the Assistant Corporate Secretary of BDO Private Bank, Inc., and the Assistant Corporate Secretary as well as Alternate Corporate Information Officer of Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.). She was formerly the Corporate Secretary of BDO Nomura Securities, Inc., Armstrong Securities, Inc., and Director and Corporate Secretary of PCI Insurance Brokers, Inc., PCI Management Consultants, Inc., PCI Travel Corporation, The Executive Banclounge, Inc., and The Sign of the Anvil, Inc.

In addition, she is currently assigned at BDO Unibank Legal Services and Corporate Secretary Group as Head of two (2) Teams, to wit: IP/Legal Support Team providing legal assistance to BDO Unibank's Support Groups and Subsidiaries and in managing the BDO Group's Intellectual Property (BDO and BDO-related trademarks and domain names), and Corporate Secretariat Team providing corporate secretariat services to BDO Unibank and its Subsidiaries. In 2017, 2018, 2019, and 2020, she was featured in the World Trademark Review 300 as among the World's Top 300 Leading Trademark Professionals. In 2023, she was included in the GC Powerlist Philippines 2023 - Legal 500. She holds a Bachelor of Arts degree major in Economics from University of Sto. Tomas and finished law at San Beda College of Law (Dean's Lister).

The independent directors of the Bank are **Evelyn Cristina A. Cam**, **Ma. Leonora V. De Jesus**, and **Anabelle L. Chua**.

Directorships in other reporting companies:

During the last five (5) years, the following directors are also directors of other reporting companies as listed below:

Name of Director	Name of Reporting Company	Position Held
Nestor V. Tan	BDO Unibank, Inc.	Director/President & CEO
Geneva T. Gloria	Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.)	Non-Executive Director
Ma. Leonora V. De Jesus	STI Education Systems Holdings, Inc.	Independent Director

Attendance in Board Meetings

	No. of Meetings Attended	Total No. of Meetings	Percentage
Nestor V. Tan	13	13	100.00%
Jesus Antonio S. Itchon	13	13	100.00%
Evelyn Cristina A. Cam	13	13	100.00%
Ma. Leonora V. De Jesus	13	13	100.00%
Anabelle L. Chua*	0	0	0.00%
Geneva T. Gloria	13	13	100.00%
Jovasky Wei Shen Pang	13	13	100.00%
Rolando C. Tanchanco	12	13	92.310%
Jaime C. Yu	13	13	100.00%

* Elected to the Board of Directors on December 6, 2024. She started attending the Board of Directors' meetings in January 2025.

Duties and Responsibilities

The Board acts on behalf of the Bank and as such, it is vested with fiduciary duties, loyalty and care for which Board members should act on a fully informed basis, in good faith, with due diligence, and in the best interest of the Bank and the shareholders. They are collectively responsible for the sustainable long-term shareholder value of the institution, sustain its competitiveness, profitability and industry leading position in a manner consistent with its corporate objectives. It leads in establishing the tone and practices of good governance at the top. It sets the Bank's corporate values and high ethical standards of business conduct for itself and members of the Bank. Through its oversight, monitoring and review of functions, the Board ensures that the Bank is being run in a sound and prudent manner on a going concern basis in order to fulfill its obligations to all majority and minority shareholders while upholding and protecting the interest of different constituencies. The board shall fulfill certain functions, including the following:

- Review and guide corporate strategy, risk management policies and procedures, Special budgets and business plans, and monitor their implementation;
- Set financial objectives, monitor implementation and corporate performance; and
- Approve the issuance of capital stocks, distribution of dividends, strategic plans, major capital expenditures, acquisitions, equity investments, fixed assets, mergers, joint ventures, divestments and material related party transactions.

The Bank recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by utilizing the differences in perspective of its directors. It views diversity at the Board level which includes differences in skills, experience, education, race, business, and other related expertise as an essential element in maintaining an effective board for strong corporate governance. The Bank also recognizes the important role of women with appropriate and relevant skills and experience that can contribute to the diversity of perspective in the Board. As of December 31, 2024, women directors chaired three (3) of the board-level committees. The diversity representation of the Board is part of the Special performance and effectiveness evaluation of the board and committees.

The Board also acts on the composition 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, including to any changes.

All directors are required to familiarize themselves with their statutory/fiduciary roles and responsibilities in the Board and Committees, BDONB's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at BDONB's expense to maintain a current and effective Board. The Board also received regular economic briefings. Below are the specific trainings each member of the Board had undergone:

All directors are also encouraged to participate in continuing education programs at BDONB's expense to maintain a current and effective Board. In 2024, all directors and key officers are given updates and briefings, and are required to attend a corporate governance seminar on appropriate topics to ensure that they are continuously informed of the developments in the business and regulatory environments, including emerging opportunities and risks in the banking industry. Directors of BDO Network Bank complied with the annual corporate governance training requirement of four (4) hours. All incumbent directors of BDO Network Bank, along with members of the Bank's senior management and key officers attended the corporate governance seminar held on July 26, 2024. Gartner, Inc., a global research and consulting firm, provided insights on global trends in banking technology and how BDO is fairing against these trends. They emphasized the importance of understanding the needs of customers through contextual engagement, as well as the increasing adoption of the "phygital (physical and digital) strategy" and generative artificial intelligence (AI) in enhancing customer experience, which are aligned with BDO's strategic plans. On the other hand, Boston Consulting Group (BCG), another global consulting firm, shared their insights about Generative AI and its disruptive impact in businesses. They examined the risks posed by generative AI and highlighted the crucial role of people in transforming the business.

To ensure the enhancement of directors' skills and knowledge, the Board undergoes a continuing education program. Each year, all directors and key officers are updated, briefed, and required to attend a corporate governance seminar on relevant topics to ensure that they are attuned with the developments in the business and regulatory environments, including emerging opportunities and risks in the financial industry. BDONB directors complied with the annual corporate governance training requirement of four (4) hours in 2024. An in-house corporate governance seminar was held on July 26, 2024 and was attended by the BDONB's directors and senior management, along with the directors and key officers of entities in the BDO Group. Global consulting and service partners of the Bank provided updates and insights on banking trends, emerging computer systems capabilities or intelligence and cyber threat landscape for banks and financial

services, and insurance. The topic highlighted Resilience, Productivity and Synergies as the top strategic technology trends for 2024 and underscored how a collective governance approach may address the risks and concerns that come with these new developments and future proof the Bank. The seminar also highlighted the emerging major global cyber threats for financial industries, their impact on the business and provided insights on the available digital risk protection that can be considered in strengthening security measures that are already in place.

Nomination of Directors:

The nomination period runs from June 20 to July 02, 2025. Hence, the list of nominees cannot be released at this time. The list of nominees will be indicated in the Definitive Information Statement after the Corporate Governance Committee has pre-screened and determined the qualifications of those nominated.

(b) Senior Executive Officers

The members of senior management, subject to control and supervision of the Board, collectively have direct charge of all business activities of BDONB. They are responsible for the implementation of the policies set by the Board. The following is a list of BDONB's key officers, and their business experiences during the past five (5) years:

Jaime A. Talingdan, 57, Filipino, holds the position of Senior Vice President and Head of Community Banking Network Group of BDONB. Prior to joining BDONB, he was an Area Head of Branch Banking Group of BDO Unibank. He started his career in the same institution in 1988 with 36 years of banking experience. He was a Branch Head for 16 years prior to his previous assignment as Area Head. He finished his bachelor's degree in Commerce major in Accounting from St. Mary's University, Bayombong, Nueva Vizcaya and Master of Business Administration degree from De La Salle University, Manila.

Alberto O. Quiogue, 59, Filipino, is the Head of Sales Group and joined BDONB in April 2016 with a rank of Senior Vice President. He holds a Bachelor of Science degree in Business with a minor in Political Science from the University of Nevada. He started his career as a Management Associate for Citibank US before moving back to the Philippines in 1996. He has broad experience in various Retail Products having worked for local and international banks in the Philippines and abroad where he held various positions in sales, credit risk, operations and project management.

Karen L. Cua, 46, Filipino, currently serves as the Head of Products at BDO Network Bank, overseeing the bank's offerings in loans, insurance, liabilities, and payments. Prior to this role, Karen successfully launched and led the Micro, Small, and Medium Enterprises (MSME) loan business at BDO Network Bank. With over 15 years of experience in the banking industry, Karen's background spans corporate planning at BDO Unibank, consumer banking, marketing, and project management at a rural community bank in China, as well as management consulting for financial institutions with McKinsey & Co. Karen holds a bachelor's degree in Management Engineering from Ateneo de Manila University and an MBA from the Wharton School of the University of Pennsylvania.

Ana Marie R. Acuña, MBA, GICD, (55) Filipino, currently serves as the Chief Compliance Officer and concurrent Corporate Governance Officer, with a rank of Vice President. Prior to joining BDO Network Bank in April 2024, she held various increasingly senior roles at BDO Unibank, Inc. as Interim Chief Information Security Officer (CISO), Operational Risk Management Head, and Data Protection Officer (DPO). She

developed a successful banking career in credit and operational risk roles across various financial institutions including Citibank, N.A., Equitable Card Network, Inc., Standard Chartered Bank, GE Money Bank, and Union Bank of the Philippines. She earned a Bachelor of Science degree in Business Administration from the University of the Philippines, and a Master's degree in Business Administration from Fordham University, NY, U.S.A.

Kathrina J. Dizon, 41, Filipino, is Kathrina J. Dizon (J Dizon) is Vice President and Head of Treasury Group of BDO Network Bank (BDONB). Prior to joining BDONB in August 2024, she was Associate Director and Head of Fixed Income Fund Management at AIA Investment Management and Trust Corp. Philippines. She draws from over 20 years of experience in the Fixed Income Market, having held positions in various financial institutions in the Philippines. She earned her Bachelor of Science degree in Applied Economics at De La Salle University Manila in 2003. She is a certified Trust and Treasury Professional with recently earned certifications in ESG Investing and Asset Management.

Ramil G. Tigley, 44, Filipino, holds the position of Vice President- Head of Business Technology of BDONB. He has been leading digital transformations over the past 15 years. He started his career in the banking industry as an Accountant and later shifted to Information Technology. Prior to joining BDONB, he was a Technology Lead and Product Owner of UBX Phils. Corp. a fintech company of UnionBank. He also headed the IT Department of WealthBank and held various IT positions in CitySavings Bank and UnionBank. He earned his Bachelor of Science degree in Commerce, major in Management Accounting from the University of San Recoletos in 2001.

Nielex C. Tupas, 45, is the Head of Corporate Affairs and Community Relations of BDO Network Bank, Inc. with the rank of First Vice President. Lex has around 8 years of experience in banking and finance and over 20 years of experience in marketing, communications, public relations and community engagement. He was a Presidential Appointee as the COO and Executive Director of the National Youth Commission. He was also a three term elected Iloilo City Councilor. He was part of New Business Development under Corporate Marketing of San Miguel Corporation. He holds a bachelor's degree in Economics from Ateneo De Manila University, obtained his Masters in Public Management major in Local Government Administration from the University of the Philippines-OU Diliman Campus and finished his Doctor of Management with concentration in Public Management from Central Philippine University. He also completed post graduate studies in leadership at Harvard University - Kennedy School of Government.

Hiyas Lea C. Pagaduan, 45, Filipino, is the Head of Operations and Technology Group, overseeing the bank's Operations and Technology domains. Prior to this role, she successfully launched and led the build of ING Retail Banking Operations in its launch of the first digital retail banking platform in the Philippines and the first chat-only support customer servicing in the banking industry. Subsequently, she has also pioneered and led the build of UNO Digital Bank's banking operations. Lea holds a bachelor's degree in Accountancy from Philippine School of Business Administration and an MBA Candidate for Leading Innovation and Change from York St John University, UK.

Emmanuel Lee M. Esguerra, 54, Filipino, holds the position of First Vice President and Head of Marketing for BDONB. He brings with him over 33 years of marketing experience in brand strategy, digital marketing, communications, partnerships, events, advertising and promotions for various categories such as digital banking, fast moving consumer goods, retail and entertainment. Prior to joining BDO Network Bank, he was Chief Marketing Officer of Advance Intelligence Group, Chief Marketing Officer of CIMB Bank PH, Marketing and Media Director of The Walt Disney Co. (Phils.), Marketing Communications Division Head of 7-Eleven PH, Chief Marketing Officer of Click! Licensing Asia, Senior Regional Brand Manager of Unilever Asia, and

Marketing Manager of Jollibee Foods, among others. He earned his Bachelor of Arts degree in Communications from the University of the Philippines, Diliman.

NOTE: *BDONB is not dependent on the services of any particular employee and does not have any special arrangements to ensure that any employee will remain with BDONB and will not compete upon termination.*

(1) Significant Employees

BDONB's senior executive officers are enumerated under Item 5 (b). BDONB has no employee who is not an executive officer expected to make a significant contribution to BDONB's business.

(2) Family Relationships

No nominees to the Board have family relationships.

(3) Involvement of directors/executive officers in legal proceedings

To BDONB's knowledge, none of the directors or executive officers is named or is involved during the last five (5) years in any legal proceedings which will have any material effect on BDONB, its operations, reputation, or financial condition.

To BDONB's knowledge, none of its directors and key officers has been subject of the following legal proceedings during the last five (5) years:

- (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;
- (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
- (c) 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;
- (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

(4) Certain Relationships and Related Transactions

The Bank has established policies and procedures on related party transactions (RPT) in accordance with BSP and SEC regulations and are aligned with that of the Parent Bank, except for materiality threshold. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's length terms, identification and prevention of potential or actual conflicts of interest, 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 and endorses to the Board for final approval all material RPTs. The Related Party Transactions

Policy applies to BDO Network Bank, Inc., as applicable, to ensure that every related party transaction is conducted in a manner that will protect the Bank from any potential conflict of interest. The policy also covers the proper review, approval, ratification, and disclosure of transactions between the Bank and any of its related parties in compliance with legal and regulatory requirements. The policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related transaction. Likewise, any member of the Board who has interest in the transaction must abstain from the deliberation and approval of such related party transaction. Related party transactions, whose value may exceed 10% of the Bank’s total assets, require review of an external independent party to evaluate the fairness of its terms and conditions and approval of 2/3 vote of the Board, with at least a majority of the independent directors voting affirmatively. In 2024, no transaction qualified under the materiality threshold as defined in SEC Memorandum Circular No. 10 (Series of 2019) or the Rules on Material Related Party Transactions for Publicly-Listed Companies.

Please refer to the Audited Financial Statements as of December 31, 2024. Said Financial Statements is attached to this Information Statement as **Annex “A”**.

(5) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual shareholders’ meeting because of a disagreement with BDONB on any matter relating to BDONB’s operations, policies or practices.

Item 6. Executive Compensation

It is the objective of BDONB to attract, motivate and retain high-performing executives necessary to maintain its leadership position in the industry. To be competitive in the marketplace, BDONB offers a remuneration package composed of fixed salary, benefits and long-term incentives. Below are the aggregate compensation details of the directors and key executive officers of BDONB.

(1) President and four (4) most highly compensated executive officers

in million pesos	Year	Annual Compensation	Other Compensation
President and four (4) most highly compensated executive officers	2025 (estimate)	53.65	none
	2024	55.00	none
	2023	51.82	none
Year	Name		Position/Title
2024	Jesus Antonio S. Itchon		President
	Karen L. Cua		Senior Vice President
	Alberto O. Quiogue		Senior Vice President
	Jaime A. Talingdan		Senior Vice President
	Emmanuel Lee M. Esguerra		First Vice President

2023	Jesus Antonio S. Itchon	President
	Karen L. Cua	Senior Vice President
	Alberto O. Quiogue	Senior Vice President
	Dulce Amor E. Alimbuyuguen	First Vice President
	Nielex C. Tupas	First Vice President

(2) Compensation of directors and officers as a group

in million pesos	Year	Annual Compensation	Other Annual Compensation
All Other Officers & Directors	2025 (estimate)	178.50	none
	2024	170.00	none
	2023	158.87	None

Each external director, that is, those who are not holding executive positions in BDONB or its parent company, BDO Unibank, Inc., receives a reasonable per diem for attendance in every Board meeting and Board Level Committee meeting. The Parent's Bank Compensation Committee is authorized to fix and/or increase the fees and other remuneration of any Director or any other officer of BDONB as may be deemed necessary, subject to Board approval. The Board of Directors of BDONB approves all compensation and remuneration schemes for all the executive directors and senior officers of BDONB. As provided by law, the total compensation of directors shall not exceed ten percent (10%) of the net income before income tax of BDONB during the preceding year.

Non-Executive Directors (NEDs), who are not officers of the Parent Bank, receive a per diem for attending board and committee meetings. In addition, the Bank grants director fees, other than per diem, in accordance with law to ensure that the remuneration is commensurate with the effort, time spent, and responsibilities of NEDs. There is no distinction on the director's fee for a committee chairman or member.

BDONB may grant to the directors any compensation other than per diems by the approval of the shareholders representing at least a majority of the outstanding capital stock.

(3) Employment contracts and termination of employment and change-in-control arrangements

There are no contracts of employment between BDONB and the named directors and executive officers, as well as compensatory plans or arrangements, including payment to be received from BDONB with respect to any named director or executive.

Item 7. Independent Public Accountants

BDONB's present external auditor, Punongbayan & Araullo, Grant Thornton will be recommended to the shareholders for re-appointment as the external auditor for the ensuing year. Representatives of the said firm are expected to be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the shareholders.

Punongbayan & Araullo, Grant Thornton was first appointed external auditor of BDONB in 2011 and has not resigned, been dismissed, or its services ceased since its appointment. BDONB has had no material disagreement with Punongbayan & Araullo, Grant Thornton on any matter of accounting principle or practices or disclosures in BDONB's financial statements.

For 2016, BDONB engaged Mr. Ramilito L. Nañola, Partner of Punongbayan & Araullo, for the examination of BDONB's financial statements of the said year. BDONB engaged Mr. Romualdo V. Murcia III, Partner of Punongbayan & Araullo, for the examination of BDONB's financial statements starting year 2011 to 2015. Previously, BDONB engaged Mr. Ramilito L. Nañola, Partner of Punongbayan & Araullo, for the examination of BDONB's financial statements from 2006 to 2010 and 2016-2022. For 2024, BDONB engaged Mr. Yusoph Maute of Punongbayan & Araullo, for the examination of BDONB's financial statements. BDONB is compliant with the rotation requirement of its external auditor's certifying partner as required under the Revised SEC Rule 68, Paragraph II, Section 3 (b) (IX).

The Audit Committee endorses for approval of Board of Directors (BOD) the appointment and removal of BDONB's internal and external auditor.

Audit and Audit-Related Fees

The aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the external auditor was P877,315.81 for the year 2024, P892,269.59 for the year 2023, and P965,552.20 for the year 2022. These fees cover services rendered by the external auditor for audit of the financial statements of BDONB and other services in connection with statutory and regulatory filings for fiscal years 2024, 2023 and 2022.

Tax Fees and Other Fees

No tax fees and other fees were paid to Punongbayan & Araullo for the last three (3) fiscal years.

It is the policy of BDONB that all audit findings are presented to the Board Audit Committee which reviews and makes recommendations to the Board of Directors on actions to be taken thereon. The Board of Directors passes upon and approves the Audit Committee's recommendations.

The members of the Audit Committee of BDONB are as follows:

1. Ma. Leonora V. de Jesus - Chairperson (Independent Director)

- | | |
|---------------------------|---------------------------------|
| 2. Evelyn Cristina A. Cam | - Member (Independent Director) |
| 3. Anabelle L. Chua | - Member (Independent Director) |

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action will be presented for shareholders' approval at this year's Annual stockholder's meeting which involves authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

No action will be presented for shareholders' approval at this year's Annual stockholders meeting which involves the modification of any class of BDONB's securities, or the issuance of one class of BDONB's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The Audited Financial Statements of BDONB as of December 31, 2024 will be attached to the Definitive Information Statement. The Management Report, incorporating the Management's Discussion and Analysis is attached as **Annex B**.

BDONB has had no material disagreement with Punongbayan & Araullo on any matter of accounting principle or practices or disclosures in BDONB's financial statements.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented for shareholders' approval at the ASM in respect of (1) the merger or consolidation of BDONB into or with any other person, or of any other person into or with BDONB, (2) acquisition by BDONB or any of its shareholders of securities of another person, (3) acquisition by BDONB of any other ongoing business or of the assets thereof, (4) the sale or transfer or all or any substantial part of the assets of BDONB, or (5) liquidation or dissolution of BDONB.

Item 13. Acquisition or Disposition of Property

No action will be presented for shareholders' approval at this year's meeting in respect of any acquisition or disposition of property of BDONB.

Item 14. Restatement of Accounts

No action will be presented for shareholders' approval at this year's meeting which involves the restatement of any of BDONB's assets, capital or surplus account.

D. OTHER MATTERS

Item 15. Action with Respect to Reports and Other Proposed Action

At the annual meeting, shareholders will be asked to approve and ratify the acts of the Board of Directors during their term of office. The matters for stockholders' ratification are acts of the Board, its Committees and Management from the last annual stockholders' meeting held the previous year up to the date of the annual meeting which were entered into or made in the ordinary course of business, including significant related party transactions, as follows:

Date of Board of Directors Meeting	Subject
January 5, 2024	<ol style="list-style-type: none">1. SM or Sodexo GC Purchase for 20242. Consolidation of BDO Network Bank Branch-Lite Units (Branch-Lite Loans)3. Summary of of Observed Gaps and Corresponding Action Plan in Compliance with BSP Circular 11604. Approved Credit Facility with Metropolitan Bank & Trust Co. (MBTC)5. Proposed 2024 Schedule of Meetings of the Board of Directors and Stockholders of BDO Network Bank, Inc.
January 26, 2024	<ol style="list-style-type: none">1. BDONB IT Strategy Committee as a Board-Level Committee (includes approval of the ITSC Terms of Reference)2. BDONB ITSC Composition3. 2024 Risk-Based Compliance Plan4. Extension of Branch-Lite Unit Licenses (Branch-Lite Branch)5. Renewal of Php 1.0-Billion Short Term Loan Line with Land Bank of the Philippines (LBP)6. Disposal and sale of three (3) bank-owned vehicles7. Disposal of bank records which have reached the maximum retention period
February 23, 2024	<ol style="list-style-type: none">1. External Audit Report - The Audit Results for BDO Network Bank, Inc. for the Year Ended December 31, 20232. Disposal of bank records which have reached the maximum retention period3. Date, Time, Venue, and Record Date of the 2024 Annual Stockholders' Meeting of BDONB (ASM)4. SEC Required Amendments to the Articles of Incorporation and By-laws of BDONB
April 5, 2024	<ol style="list-style-type: none">1. Proposed Revisions to the Corporate Governance Manual

	<ol style="list-style-type: none"> 2. Proposed Revisions to the Interlocking Policy 3. Nomination of Directors for 2024 4. Acceptance of the Retirement of BDONB Chief Compliance Officer and Legal Head, Mr. Milott B. Requillo 5. Appointment of Ms. Ana Marie Acuna as the new Chief Compliance Officer and Corporate Secretariat Head of BDONB 6. Replies to the BSP Report of Examination (ROE) 7. Relocation of BDO Network Bank Branches (Branch-Lite Branch) 8. Relocation of Seventeen (17) Branch-Lite Licenses (Branch-Lite Loans) 9. Amendment of Relocation Date for BDO Network Bank Occidental Mindoro- San Jose Branch 10. Amendment of Consolidation Date of BDO Network Bank Branch-Lite Units 11. Cancellation of Consolidation Plan for BDO Network Branch-Lite Units (Branch-Lite Loans) 12. Extension of Branch-Lite Unit Licenses (Branch-Lite Branch) 13. Write-off of MSME Non-Performing Loans 14. Board Delegation to the President the authority to approve authorizers/ approvers for depository bank access 15. Disposal of bank records which have reached the maximum retention period
May 2, 2024	<ol style="list-style-type: none"> 1. Extension of Services Agreement between Archipelago Capital Partners (ACP) and BDO Network Bank, Inc. (BDONB) 2. Proposed Revisions on the MTPP Manual 3. Revisions to the Data Privacy Manual 4. Disposal of bank records which have reached the maximum retention period
May 24, 2024	<ol style="list-style-type: none"> 1. Recovery Plan of BDO Network Bank, Inc. 2. Application to BSP for issuance of thirty-one (31) new licenses (1 Branch and 30 Branch-Lite licenses) 3. Relocation of six (6) Branch-lite Units Consolidation of Branch-Lite Units (Branch and Loan Office), and Amendment to the Consolidation Date
June 28, 2024	<ol style="list-style-type: none"> 1. Additional Capital Infusion of BDO Unibank, Inc. and Osmanthus Investment Holdings Pte. Ltd. in BDONB 2. Increase in Authorized Capital Stock of BDONB and Amendment of BDONB's Articles of Incorporation to reflect the increase 3. Holding of Special Stockholders' Meeting to approve the Increase in Authorized Capital Stock of BDONB and the Amendment of its Articles of Incorporation 4. Updates to the Business Recovery Plan 5. Write-off of 191 Salary Loan Accounts amounting to P33,007,938.61. 6. Write-off of 273 Salary Loan Accounts amounting to P72,335,097.66. 7. Write-off of MSME Non-Performing Loans Amounting to P177,911,524.16 8. Consolidation of Branch-Lite Unit (Loan Office) and Amendment to the Consolidation Dates

	<ol style="list-style-type: none"> 9. Amendment of Authorized Signatories for BDONB (General Signing Authorities) 10. Authorized Signatories for BSP Regulatory Reports 11. Amendment of Authorized Signatories to Certify Bank Documents 12. Authority of the President to Approve and Sign the Memorandum of Agreement (MOA) with the Armed Forces of the Philippines (AFP) 13. Additional Delegation of Board Authority to the President 14. Disposal of bank records which have reached the maximum retention period 15. Issuance of Treasury Stocks for Fractional Shares Resulting from the BDONB Reverse Stock Split
July 26, 2024	<ol style="list-style-type: none"> 1. Annual Review of the Internal Audit Policy Statement as of June 30, 2024 2. Service Agreement between BDO Unibank and BDO Network Bank, Inc. 3. Purchase of Starlink Services from Related Party- Data Lake, Inc. 4. Consolidation of SLG Loan Sales Offices Pagadian-Rizal Ave. with Pagadian- F.S. Pajares 5. Disposal of bank records which have reached the maximum retention period
August 30, 2024	<ol style="list-style-type: none"> 1. Write-off of 211 Salary Loan accounts amounting to P44,975,076.25 2. Write-off of 169 Salary Loan Accounts of Deceased Borrowers amounting to P39,423,391.96 3. Creation of Smart Checking Product of BDONB 4. Relocation of BDO Network Bank Bulacan-Pandi Branch to a new address 5. Transfer of Nine (9) Branch-lite Unit Licenses 6. Consolidation of BDONB Cebu- Bogo Loan Office into BDONB Cebu- San Remigio Branch 7. Disposal of bank records which have reached the maximum retention period 8. Updating of Signatories for Creditor Banks and adoption of prescribed Board Resolution templates 9. Updating the list of Authorized Representatives for Legal Cases 10. Renewal of Credit Line with BDO Unibank, Inc.
October 4, 2024	<ol style="list-style-type: none"> 1. Updates to BSP's Evaluation of Replies to ROE Directives 2. Proposed budget for BDONB InstaPay Receiving Project 3. Consolidation of BDO Network Bank Northern Samar- Catarman Loan Office into BDONB Northern Samar- Bobon Branch 4. Authority of BDONB Treasury Group to Deal Investment Instruments with Bank of the Philippine Islands (BPI) and Union Bank (UB) 5. Date, Time, Manner of Holding, and Record Date of the Special Stockholders' Meeting of BDONB (to elect new BDONB Independent Director)
October 25, 2024	<ol style="list-style-type: none"> 1. 3rd Quarter Financial Statements 2. Consolidation of BDO Network Bank Puerto Princesa 2 Loan Office into BDONB Palawan- Puerto Princesa Branch

	<ol style="list-style-type: none"> 3. Relocation of Two (2) Branch-lite Licenses 4. Conversion of Branch-lite Unit to Branch License 5. Renewal of Credit Facility Granted by Bank of the Philippine Islands (Lender) to BDONB (Borrower) 6. Renewal of Credit Facility Granted by Development Bank of the Philippines (Lender) to BDONB (Borrower) 7. Write-off of Non-Performing Loans amounting to P139,365,911.85 8. Disposal of Bank Records which have reached the maximum retention period
December 8, 2024	<ol style="list-style-type: none"> 1. Increase in Credit Facilities Granted by BDO Unibank to BDONB 2. BDO Life Creditor's Group Life Insurance (CGLI) for Loans managed by the BDONB Product Group 3. Aggregate Non- Material Related Party Transactions of BDONB with Sanford Marketing Corporation breaching Materiality Threshold of P10M (3 Lease Contracts) 4. Aggregate Non-Material Related Party Transactions of BDONB with BDO Unibank, Inc. breaching Materiality Threshold of P10M (2 Lease Contracts) 5. Cross-Selling by BDO Unibank of BDONB Products 6. Lease Contract of BDONB (Lessee) with Melody Mendoza Vidal (Lessor) for the BDONB-Calaca Branch 7. Consolidation of BDO Network Bank Branch-lite Units 8. Application for Authority to Establish One (1) Branch and Twenty-six (26) Branch-lite Units 9. Relocation of Four (4) Branch-lite Licenses 10. Establishment of Additional Term Loan Facility Granted by Land Bank of the Philippines (LBP) 11. Establishment of New Term Loan Line and Renewal of Revolving Loan Line Granted by Security Bank Corporation (SBC) 12. Write-off of Non-Performing Loans for the 4th Quarter of 2024 amounting to P129,572,927.21 13. Authorized Signatories for Loan Documents 14. Write-off of 126 Salary Loan Accounts of Deceased Borrowers amounting to P33,058,416.88 15. Write-off of 197 Salary Loan Accounts amounting to P47,947,698.50 16. Board Resolutions for the BDONB Updated Authorized Signatories for BPI & RCBC Credit Facilities

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-laws or Other Documents

There is no action to be taken with respect to any amendment of the charter, by-laws, or other documents.

Item 18. Other Proposed Action

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

Item 19. Voting Procedures

At the 2025 Annual Stockholders' Meeting, holders of a majority of BDONB's issued and outstanding voting shares who are present via remote communication or represented by proxy, shall constitute a quorum for the transaction of business. A majority of votes shall decide any matter submitted to the shareholders at the meeting, except in those cases where the law requires a greater number. In particular, the affirmative vote of stockholders of BDONB representing at least two-thirds (2/3) of the outstanding capital stock of the Company is required in accordance with Sections 15 and 47 of the Revised Corporation Code to approve the amendment of the Seventh Article of the Articles of Incorporation.

In the election of directors, the shareholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement. BDONB's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders.

BDONB's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors. Punongbayan & Araullo, Grant Thornton, BDONB's external auditor, an independent party, has been appointed to validate the votes.

Stockholders as of June 26, 2025 who have successfully registered their intention to participate in the annual meeting via remote communication, and to vote *in absentia*, duly verified and validated by the BDONB, shall be provided with log-in credentials to securely access the voting portal.

The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participation via Remote Communication, In-Person, and Voting in Absentia" included in this Information Statement

(Signature page follows)

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in Makati City on 27 June 2025 .

BDO NETWORK BANK, INC


Joseph Jason M. Natividad
Corporate Secretary



BDO NETWORK BANK, INC.
2025 ANNUAL STOCKHOLDERS' MEETING
August 8, 2025 at 11:00 AM

Guidelines for Registering, Participating via Remote Communication and Voting in Absentia

The 2025 Annual Stockholders' Meeting (**ASM**) of BDO Network Bank, Inc. (**BDONB**) is scheduled on **August 8, 2025, at 11:00 a.m.**, with **June 26, 2025 as the record date** set by BDONB's Board of Directors for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

The ASM will be broadcasted via livestreaming accessible to registered participants. Stockholders will be allowed to register, attend, participate and vote via remote communication or *in absentia* pursuant to Sections 23 and 57 of the Revised Corporation Code of the Philippines.

Step 1. Pre-ASM Registration/ Validation/ Voting Procedures

Stockholders must notify the Corporate Secretary of their intention to participate in the ASM via remote communication and to exercise their right to vote *in absentia* by sending the documentary requirements with transmittal letter addressed to the Office of the Corporate Secretary, 6/F, BDONB Corporate Center, Km. 9, Sasa, Davao City 8000 VIA COURIER/PERSONAL DELIVERY OR scanned copies of these documents by EMAIL to <corporate-secretary@bdonetworkbank.com.ph> with return-receipt.

The following complete/accurate documentary requirements with transmittal letter **MUST BE SENT TO AND RECEIVED** by the Office of the Corporate Secretary no later than July 28, 2025.

- **For Certificated Individual Stockholders**

1. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address
2. Stock certificate number/s
3. A valid and active e-mail address and contact number of stockholder
4. If appointing a proxy, duly accomplished and signed proxy. Proxy form can be downloaded from BDONB's website <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>>.

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

- **For Certificated Multiple Stockholders or Joint owners**

1. A clear copy of the ALL stockholders' valid government-issued IDs (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address
2. Stock certificate number/s
3. A valid and active email-address and contact number of authorized representative
4. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized)
5. If appointing a proxy, duly accomplished and signed proxy. Proxy form can be downloaded from BDONB's website <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>>.

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

- **For Certificated Corporate/Partnership Stockholders**

1. Secretary's Certification of Board resolution attesting to the authority of representative to participate by remote communication for, and on behalf of the Corporation/Partnership
2. Stock certificate number/s
3. A clear copy of the valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) of stockholder's authorized representative showing photo, signature and personal details, preferably with residential address
4. A valid and active email-address and contact number of authorized representative
5. If appointing a proxy, duly accomplished and signed proxy. Proxy form can be downloaded from BDONB's website <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>>.

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

Stockholders will receive an e-mail reply from BDONB's Office of the Corporate Secretary. The Office of the Corporate Secretary's email reply will either confirm successful registration and provide the link/meeting details to BDONB's 2025 ASM or require submission of deficient documents. If you have not received any email reply within three (3) business days from receipt, please call tel. nos. (082) 233 – 7777.

Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration. All documents/information shall be subject to verification and validation by the Corporate Secretary.

Step 2: Voting in Absentia Procedure

Stockholders who have successfully registered shall be notified via email of their log-in credentials for the ASM. Stockholders can then cast their votes for specific items in the agenda by accessing and accomplishing

BDONB's online ballot. The ballot form can be accessed from BDONB's website <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>>.

1. Upon accessing the ballot, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended as Annex "A" to the Notice of Meeting.
 - 1.1. A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.
2. Once the stockholder has finalized his vote, he can proceed to submit his vote by sending a JPG or PDF form to <corporate-secretary@bdonetworkbank.com.ph> no later than July 28, 2025.

If sending via email, should be clear scanned copies in JPG or PDF format, with each file size no larger than 2MB.

Participation through Remote Communication

The ASM will be livestreamed and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided to BDONB. Instructions on how to access the livestream will also be posted at <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>> .>.

Video recordings of the ASM will be adequately maintained by BDONB and will be made available to participating stockholders upon request. Stockholders may access the recorded webcast of the ASM by sending an email request addressed to <corporate-secretary@bdonetworkbank.com.ph> .

Open Forum

During the virtual meeting, BDONB will have an Open Forum, during which, the meeting's moderator will read and where representatives of BDONB shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2025 Open Forum" to <corporate-secretary@bdonetworkbank.com> not later than 10:00 a.m. of August 8, 2025. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by BDONB through the stockholders' email addresses.

For complete information on the ASM, please visit <<https://www.bdo.com.ph/bdonetworkbank/about-us/asm>> . .

For any clarification or other ASM-related queries, stockholders may contact BDONB at 082-233-7772 or send an email to the Office of the Corporate Secretary at <corporate-secretary@bdonetworkbank.com>.

PROXY

I/We, the undersigned stockholder/s of **BDO NETWORK BANK, INC. (BDONB)**, hereby appoint/s _____
or in his/her absence, the Chairperson of the meeting, as my/our attorney and proxy, with power of substitution, to represent and vote _____
shares registered in my/our name, at the Annual Meeting of Stockholders of BDONB on August 08, 2025, and at any of the adjournments thereof, for the purpose
of acting on the following matters:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on May 02, 2024

Yes No Abstain

Yes No Abstain

2. Approval of the Minutes of the Special Stockholders' Meetings held on August 30, 2024

Yes No Abstain

3. Approval of the Minutes of the Special Stockholders' Meetings held on December 06, 2024

Yes No Abstain

4. Approval of the Audited Financial Statements of BDO as of December 31, 2024

Yes No Abstain

3. Approval and Ratification of all Acts of the Board of Directors, Board Committees and Management during their terms of office

Yes No Abstain

4. Election of Directors

1. Nestor V. Tan
_____ shares

6. Geneva T. Gloria
_____ shares

2. Jesus Antonio S. Itchon
_____ shares

7. Evelyn Cristina A. Cam
(Independent Director)
_____ shares

3. Maria Corazon A. Mallillin
_____ shares

8. Ma. Leonora V. de Jesus
(Independent Director)
_____ shares

4. Rolando C. Tanchanco
_____ shares

7. Anabelle L. Chua
(Independent Director)
_____ shares

5. Jovasky Wei Shen Pang
_____ Shares

5. Appointment of External Auditor (Punongbayan & Araullo, Grant Thornton)

Yes No Abstain

7. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting

THIS PROXY SHOULD BE RECEIVED BY THE OFFICE OF THE CORPORATE SECRETARY ON OR BEFORE **JULY 28, 2025**, MONDAY, THE DEADLINE FOR SUBMISSION OF PROXIES. THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED 'FOR' THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

THIS PROXY SHALL CONTINUE UNTIL SUCH TIME THAT THE SAME IS WITHDRAWN BY ME/US THROUGH NOTICE IN WRITING DELIVERED TO THE OFFICE OF THE CORPORATE SECRETARY BEFORE THE DATE OF ANY SUCH MEETING OR ADJOURNMENT(S) THEREOF.

AS APPLICABLE, I/WE HEREBY CONSENT TO THE PROCESSING OF MY/OUR PERSONAL INFORMATION FOR PURPOSES OF THE BDONB ANNUAL STOCKHOLDERS' MEETING.

IN WITNESS WHEREOF, I/we have hereunto affixed my/our signature this

_____ day of _____,
20_____ at _____.

Printed Name of Stockholder(s) / Date

Signature of Stockholder(s) /Authorized Signatory

SECRETARY'S CERTIFICATE

I, _____, Filipino, of legal age and with office address at _____, do hereby certify that:

1. I am the duly appointed Corporate Secretary of _____ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at _____;

2. As of record date, the Corporation holds _____ (_____) shares in BDO Network Bank, Inc.;

3. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on _____, the following resolution was passed and approved:

"RESOLVED, That _____ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of BDO Network Bank, Inc. ("BDONB"), whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in BDO Network Bank, Inc. and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.

RESOLVED FURTHER, That BDO Network Bank, Inc. be furnished with a certified copy of this resolution and BDO Network Bank, Inc. may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

4. The foregoing resolution has not been modified, amended or revoked, and is in accordance with the records of the Corporation presently in my custody. IN WITNESS WHEREOF, I have hereunto affixed my signature this _____ day of _____, 20 _____ at _____.

Printed Name and Signature of the Corporate Secretary

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 20 _____ at _____, Affiant exhibited to me his Competent Evidence of Identity by way of _____ issued on _____ at _____.

NOTARY PUBLIC
Doc. No.
Page No.
Book No.
Series of 2025.



P&A
Grant Thornton

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

BDO Network Bank, Inc.

December 31, 2024 and 2023

Report of Independent Auditors

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

T +63 2 8988 2288

The Board of Directors and the Stockholders
BDO Network Bank, Inc.
(A Subsidiary of BDO Unibank, Inc.)
BDONB Center, Km. 9, Sasa, Davao City

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2024 and 2023 required by the Bangko Sentral ng Pilipinas as disclosed in Note 27 to the financial statements, and the supplementary information for the year ended December 31, 2024 by the Bureau of Internal Revenue as disclosed in Note 28 to the financial statements are presented for purposes of additional analysis and are not required part of the basic financial statements prepared in accordance with PFRS Accounting Standards as adopted from the pronouncements issued. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: **Yusoph A. Maute**
Partner

CPA Reg. No. 0140306
TIN 415-417-641
PTR No. 10465908, January 2, 2025, Makati City
BIR AN 08-002551-046-2023 (until January. 24, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-018 (until August. 27, 2027)

February 21, 2025



Supplemental Statement of Independent Auditors

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

T +63 2 8988 2288

The Board of Directors
BDO Network Bank, Inc.
(A Subsidiary of BDO Unibank, Inc.)
BDONB Center, Km. 9, Sasa, Davao City

We have audited the financial statements of BDO Network Bank, Inc. (the Bank) for the year ended December 31, 2024, on which we have rendered the attached report dated February 21, 2025.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total number of 126 beneficial stockholders owning 100 or more shares each of the Bank's capital stock as at December 31, 2024.

PUNONGBAYAN & ARAULLO


By: **Yusoph A. Maute**
Partner

CPA Reg. No. 0140306
TIN 415-417-641
PTR No. 10465908, January 2, 2025, Makati City
BIR AN 08-002551-046-2023 (until January. 24, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-018 (until August. 27, 2027)

February 21, 2025

BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	6	P 3,926,624,168	P 2,562,500,209
DUE FROM BANGKO SENTRAL NG PILIPINAS	6, 7	121,928,212	1,202,258,989
DUE FROM OTHER BANKS	6, 8	6,117,232,217	8,028,511,190
INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - Net	9	4,887,461,587	4,938,452,761
INVESTMENT SECURITIES AT AMORTIZED COST - Net	10	5,027,004,983	3,982,216,624
LOANS AND OTHER RECEIVABLES - Net	11	99,437,411,953	83,409,077,530
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	12	2,213,259,547	2,094,635,005
RIGHT-OF-USE ASSETS - Net	13	733,792,901	652,839,187
INVESTMENT PROPERTIES - Net	14	1,269,493	1,420,921
DEFERRED TAX ASSETS	24	147,419,465	343,047,607
PREPAYMENTS AND OTHER RESOURCES - Net	15	<u>1,439,322,118</u>	<u>770,421,041</u>
TOTAL RESOURCES		<u>P 124,052,726,644</u>	<u>P 107,985,381,064</u>
<u>LIABILITIES AND EQUITY</u>			
DEPOSIT LIABILITIES	17	P 93,787,180,624	P 77,688,737,498
BILLS PAYABLE	18	11,657,100,354	14,901,139,639
LEASE LIABILITIES	13	805,257,088	708,979,657
ACCRUED EXPENSES AND OTHER LIABILITIES	19	2,006,451,528	1,771,265,904
INCOME TAX PAYABLE		<u>81,566,904</u>	<u>90,864,364</u>
Total Liabilities		108,337,556,498	95,160,987,062
EQUITY	20	<u>15,715,170,146</u>	<u>12,824,394,002</u>
TOTAL LIABILITIES AND EQUITY		<u>P 124,052,726,644</u>	<u>P 107,985,381,064</u>

See Notes to Financial Statements.

BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
INTEREST INCOME			
Loans and other receivables	11	P 9,625,736,398	P 7,896,679,414
Investment securities	9, 10	422,672,387	406,431,972
Deposits with other banks	8	184,896,372	159,385,336
Post-employment defined benefit obligation	23	45,979,133	24,876,553
		10,279,284,290	8,487,373,275
INTEREST EXPENSE			
Deposit liabilities	17	1,846,484,734	1,788,917,328
Bills payable	18	893,290,778	573,402,877
Lease liabilities	13	55,990,856	57,794,270
		2,795,766,368	2,420,114,475
NET INTEREST INCOME		7,483,517,922	6,067,258,800
IMPAIRMENT LOSSES	16	1,028,391,069	725,071,871
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		6,455,126,853	5,342,186,929
OTHER INCOME			
Service charges, fees and commissions	2	4,463,628,960	3,814,585,380
Others	22	94,359,995	81,792,211
		4,557,988,955	3,896,377,591
OTHER OPERATING EXPENSES			
Compensation and employee benefits	23	4,455,545,041	3,783,109,926
Taxes and licenses		1,196,421,717	1,075,052,451
Occupancy and equipment-related expenses	12, 13, 14, 15	1,128,984,237	973,653,566
Fees and commissions		788,571,390	674,262,774
Security, messengerial and janitorial services		440,288,899	298,580,635
Transportation and travel		435,213,680	367,842,430
Insurance		206,763,436	227,791,451
Stationery and supplies		121,268,371	116,961,315
Advertising and publicities		91,052,520	76,796,940
Communications, telephone and telegraph		76,978,900	82,308,970
Representation and entertainment		36,597,411	35,570,069
Management and other professional fees		27,975,860	28,673,017
Banking fees		20,487,069	17,024,859
Fuel and lubricants		8,857,434	9,881,412
Others	14	40,394,705	37,089,002
		9,075,400,670	7,804,598,817
PROFIT BEFORE TAX		1,937,715,138	1,433,965,703
TAX EXPENSE	24	745,473,830	549,596,108
NET PROFIT		P 1,192,241,308	P 884,369,595

See Notes to Financial Statements.

BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
NET PROFIT		<u>P 1,192,241,308</u>	<u>P 884,369,595</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment defined benefit obligation	23	(145,749,317)	(266,832,254)
Tax income	24	<u>36,437,329</u>	<u>66,708,064</u>
		(109,311,988)	(200,124,190)
Item that will be reclassified subsequently to profit or loss:			
Fair valuation of financial assets at fair value through other comprehensive income (FVOCI):			
Fair value gains during the year	9	<u>49,950,112</u>	<u>180,649,337</u>
Other Comprehensive Loss - net of tax		(59,361,876)	(19,474,853)
TOTAL COMPREHENSIVE INCOME		<u>P 1,132,879,432</u>	<u>P 864,894,742</u>

See Notes to Financial Statements.

BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Note	<u>Capital Stock</u>	<u>Additional Paid-in Capital</u>	<u>Other Reserves</u>	<u>Revaluation Reserves</u>	<u>Surplus</u>	<u>Total</u>
Balance at January 1, 2024		P 5,042,198,390	P 5,764,673,388	P 552,144,531	(P 873,359,964)	P 2,338,737,657	P 12,824,394,002
Issuance of shares during the year	20	458,007,210	1,299,889,502	-	-	-	1,757,896,712
General loan loss appropriation	20	-	-	212,125,283	-	(212,125,283)	-
Appropriation for self-insurance	20	-	-	4,368,925	-	(4,368,925)	-
Total comprehensive income (loss) for the year		-	-	-	(59,361,876)	1,192,241,308	1,132,879,432
Balance at December 31, 2024		<u>P 5,500,205,600</u>	<u>P 7,064,562,890</u>	<u>P 768,638,739</u>	<u>(P 932,721,840)</u>	<u>P 3,314,484,757</u>	<u>P 15,715,170,146</u>
Balance at January 1, 2023		P 4,900,565,580	P 5,456,306,198	P 412,692,812	(P 853,885,111)	P 1,593,819,781	P 11,509,499,260
Issuance of shares during the year	20	141,632,810	308,367,190	-	-	-	450,000,000
General loan loss appropriation	20	-	-	135,479,969	-	(135,479,969)	-
Appropriation for self-insurance	20	-	-	3,971,750	-	(3,971,750)	-
Total comprehensive income (loss) for the year		-	-	-	(19,474,853)	884,369,595	864,894,742
Balance at December 31, 2023		<u>P 5,042,198,390</u>	<u>P 5,764,673,388</u>	<u>P 552,144,531</u>	<u>(P 873,359,964)</u>	<u>P 2,338,737,657</u>	<u>P 12,824,394,002</u>

See Notes to Financial Statements.

BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 1,937,715,138	P 1,433,965,703
Adjustments for:			
Impairment losses	16	1,028,391,069	725,071,871
Depreciation and amortization	12, 13, 14, 15	582,715,237	538,230,276
Interest amortization on lease liabilities	13	55,990,856	57,794,270
Gain on disposal of bank premises, furniture, fixtures and equipment	12, 22	(5,373,908)	(6,038,403)
Income from disposal of investment properties	14, 22	(255,236)	(1,196,196)
Operating profit before changes in resources and liabilities		3,599,183,156	2,747,827,521
Increase in loans and other receivables		(17,054,308,162)	(17,624,437,292)
Increase in prepayments and other resources		(813,222,090)	3,536,068,784
Increase in deposit liabilities		16,098,443,126	10,578,087,818
Increase in accrued expenses and other liabilities		1,143,325,355	558,606,652
Cash generated from (used in) operations		2,973,421,385	(203,846,517)
Cash paid for income taxes		(522,705,819)	(300,855,901)
 Net Cash Generated From (Used in) Operating Activities		 2,450,715,566	 (504,702,418)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of financial assets at amortized cost	10	(4,309,741,000)	-
Proceeds from maturity of financial assets at amortized cost	10	3,259,741,000	150,000,000
Acquisitions of bank premises, furniture, fixtures and equipment	12	(462,569,413)	(466,306,879)
Proceeds from maturity of financial assets at fair value through other comprehensive income	9	100,000,000	300,000
Proceeds from disposal of bank premises, furniture, fixtures and equipment	12	7,019,651	9,789,424
Acquisitions of software and other intangibles	15	(5,183,601)	(18,675,188)
Proceeds from disposal of investment properties	14	255,238	812,245
 Net Cash Used in Investing Activities		 (1,410,478,125)	 (324,080,398)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of bills payable	18	(10,469,039,285)	(10,325,000,000)
Proceeds from bills payable	18	7,225,000,000	18,625,000,000
Proceeds from issuance of shares of stock	20	1,757,896,712	450,000,000
Interest paid on bills payable	18	(893,290,778)	(505,309,071)
Repayments of lease liabilities	13	(288,289,881)	(287,948,700)
 Net Cash From (Used in) Financing Activities		 (2,667,723,232)	 7,956,742,229
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		 (1,627,485,791)	 7,127,959,413
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF YEAR			
	6		
Cash and other cash items		2,562,500,209	2,186,619,439
Due from Bangko Sentral ng Pilipinas		1,202,258,989	690,117,513
Due from other banks		8,028,511,190	5,770,790,647
		11,793,270,388	8,647,527,599
CASH AND CASH EQUIVALENTS			
AT END OF YEAR			
	6		
Cash and other cash items		3,926,624,168	2,562,500,209
Due from Bangko Sentral ng Pilipinas		121,928,212	1,202,258,989
Due from other banks		6,117,232,217	8,028,511,190
		P 10,165,784,597	P 11,793,270,388

Supplemental Information on Non-Cash Investing Activity —

In 2024 and 2023, the Bank recognized right-of-use assets amounting to P313.7 million and P385.8 million, respectively, and lease liabilities amounting to P328.6 million and P397.5 million, respectively (see Note 13).

See Notes to Financial Statements.

BDO NETWORK BANK INC.
(A Subsidiary of BDO Unibank, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operation

BDO Network Bank, Inc. (the Bank) was organized as a result of the consolidation of two rural banks, namely, One Network Rural Bank, Inc. (ONRBI) and Rural Bank of New Corella (Davao del Norte), Inc. (RBNCI). The Bank was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on July 14, 2011 to engage and carry on the business of a rural bank as provided in the Rural Banks Act of 1992. The Bank started its commercial operations on September 1, 2011.

On April 18, 2012, a plan of merger was made and entered into by the Bank with Rural Bank of San Enrique (Iloilo), Inc. (RBSEI) doing business under the name and style of Banco San Enrique (a Rural Bank). On April 12, 2013, the SEC approved the merger of the Bank with RBSEI, with the former as the surviving entity.

On July 20, 2015, BDO Unibank, Inc. (BDO or the Parent Bank), with the approval of the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), successfully acquired 99.59% of the Bank's outstanding capital stock making the Bank a member then of the BDO Group.

On September 29, 2018, the Parent Bank entered into an agreement with Osmanthus Investment Holdings Pte. Ltd. (Singapore)(Osmanthus), whereby the latter will acquire 15.00% ownership interest in the Bank. On May 16, 2019 and January 8, 2021, the latter acquired 10.00% and 5.00% ownership interest in the Bank, respectively. As of December 31, 2024 and 2023, BDO is the beneficial owner of 84.92% and 84.91%, respectively, of the Bank's total issued and outstanding capital.

On February 4, 2019, the Bank entered into an asset sale and purchase agreement with Rural Bank of Pandi (Bulacan), Inc. (RBPI) wherein the Bank purchased the recorded gross loan receivables, and assume the recorded deposit liabilities of RBPI. The purchase was completed on October 31, 2019.

On July 31, 2019, the SEC approved the Bank's application to change its corporate name from One Network Bank, Inc. (A Rural Bank of BDO) to BDO Network Bank, Inc.

On June 30, 2021, the Board of Directors (BOD) of the Bank approved its conversion from a rural bank to a thrift bank. This was ratified by the shareholders on August 13, 2021, approved by the BSP on January 20, 2022 and by the SEC on December 27, 2024. The Certificate of Authority to operate as a thrift bank was issued by the BSP on February 5, 2025.

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

The registered head office of the Bank is located at BDONB Center, Km. 9, Sasa, Davao City. The Bank has the widest private sector banking network in Mindanao and the widest rural banking network in the country with its 465 branches and 104 loan processing offices as of December 31, 2024. 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.

The Bank offers a complete array of products and services. It offers Deposit products (e.g., Savings Accounts - Young Pera Savers, ATM and Payroll Accounts, Kabayan Savings, and Optimum Savings; Checking Account; and, Time Deposit Account), has remained tolerant to micro deposits given the affordable opening requirements, and has also grown to include big banking financial product packages. The Bank likewise offers Loan Products for appropriate and timely credit for personal consumption as well as need-based cash flow financing packages that not only nurture small businesses in the countryside but also provide credit lines that cater to client's needs. Other services include convenient, quick and affordable collection and payment services bringing modern, value-added services closer to Bank's clientele, big and small.

1.2 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as of and for the year ended December 31, 2023) were authorized for issue by the BOD of the Bank on February 21, 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 Philippine Financial Reporting Standards

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

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, 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 Standards (PAS) 1, *Presentation of Financial Statements*. The Bank presents statement of comprehensive income separate from the statement of profit or loss.

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

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of New and Amended PFRS Accounting Standards

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

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

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

Discussed below are the relevant information about these pronouncements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Bank's financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Bank's financial statements.
- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Bank's financial statements.
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Bank's financial statements.

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

There are 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 indicated, none of these are expected to have significant impact on the Bank's financial statements:

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

2.3 Financial Instruments

(a) Financial assets

(i) Classification, Measurement and Reclassification of Financial Assets

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

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent "solely payments of principal and interests" (SPPI). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(c)].

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Investment Securities at Amortized Cost, Loans and Other Receivables and Security deposits (presented as part of Prepayments and Other Resources).

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks. Loans and other receivables also include receivables from customers and other receivables.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as FVTPL. The Bank has no equity instruments as at the reporting periods.

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

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

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

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

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

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.3(a)(iii)], interest income is calculated by applying the EIR to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted EIR to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(iii) *Impairment of Financial Assets*

The Bank assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI.

The Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. Recognition of credit losses is no longer dependent on the Bank's identification of a credit loss event.

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

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

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

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

Measurement of ECL

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

(iv) Modification of Loans

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

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

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a “new” asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets.

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

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

(b) Financial Liabilities

Financial liabilities, which include deposit liabilities, bills payable, and accrued expenses and other liabilities (except tax-related payables and post-employment defined benefit obligation), are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Interest Expense in the statement of profit or loss.

2.4 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment (BPFPE), except for land, are carried at acquisition cost or construction cost less subsequent depreciation and amortization and any impairment losses. Land held for administration is stated at cost less any impairment losses.

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

Buildings	20-50 years
Furniture, fixtures and equipment	3-15 years

Leasehold improvements are amortized over the term of the lease or useful lives of the improvements of five years.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

2.5 Investment Properties

Investment properties include parcels of land and buildings and related improvements acquired by the Bank from defaulting borrowers not held for sale in the next 12 months. These are initially measured at acquisition cost which comprise the carrying amount of the related loan after adjustments for unamortized premium or discount less allowance for credit losses plus accrued interest and directly attributable costs. Subsequently, investment properties are stated at cost less accumulated depreciation (except for land) and any impairment in value (see Note 2.9).

2.6 Intangible Assets

Intangible assets include software and other intangibles which are accounted for under the cost model.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired and branch licenses at the date of acquisition. Goodwill is classified as intangible asset with indefinite useful life and, thus, not subject to amortization but to an annual test for impairment (see Note 2.9). For the purpose of impairment testing, goodwill is allocated to cash-generating units for the purpose of impairment testing and is subsequently carried at cost less any accumulated impairment losses.

Capitalized costs of software and other intangibles are amortized on a straight-line basis over the estimated useful lives (ranging from three to ten years) as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.9. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software.

2.7 Other Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such case, the Bank 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 Bank earns service fees and commissions in various banking services, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15.

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

Service charges, fees and commissions – Revenue is generally recognized when the service has been provided, based on agreed terms and conditions.

- (a) *Service charges on loans* – Service charges are revenues arising primarily from processing of loans that are recognized at a point in time when the services have been provided and are taken up as income based on agreed terms and conditions.
- (b) *Service charges on ATM cash servicing* – are recognized as revenue at a point in time when the ATM cash servicing has been completed.

- (c) *Inter-branch fees* – Revenues arising from processing of deposits and withdrawals from other branches are recognized at a point in time upon crediting of deposits or disbursing of cash for withdrawals.

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

- (a) *Income from disposal of investment properties* – Income or loss from assets sold 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 reported as part of Other Income in the statement of profit or loss.
- (b) *Recovery from accounts written off* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is reported as part of Other Income in the statement of profit or loss.

2.8 Leases – Bank as Lessee

Subsequent to initial recognition, the Bank depreciates the right-of-use asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term which is from 1 to 12 years.

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

On the statement of financial position, right-of-use assets and lease liabilities are presented separately from bank premises, furniture, fixtures and equipment and other liabilities, respectively.

2.9 Impairment of Non-financial Assets

The Bank's bank premises, furniture, fixtures and equipment, right-of-use asset, investment properties, software and other intangibles and goodwill (both presented as part of Prepayments and Other Resources) are subject to impairment testing.

2.10 Employee Benefits

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

The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee bank.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

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

The Bank uses a provision matrix 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 probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

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

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

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

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

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, and lending strategies.

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

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

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

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

(d) *Distinction between Investment Properties and Owner-occupied Properties*

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

(e) *Determination of Lease Term of Contracts with Renewal and Termination Options*

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 offices, the factors that are normally the most relevant are (a) if there are significant penalties should the Bank pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Bank is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

(f) Recognition of Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Bank that do not 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 25.

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on 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.

The carrying value of financial assets at FVOCI, Investments securities at amortized cost and Loans and Other Receivables are shown in Notes 9, 10, and 11, respectively, and the analysis of the allowance for impairment on such financial assets are disclosed in Note 16.

(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 used observation 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 Bank's financial assets at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 9.

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, and Software and Other Intangible Assets*

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, and software and other intangibles (presented as part of Prepayments and Other Resources account in the statements of financial position), based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, investment properties, and software and other intangibles 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 Bank's goodwill was regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful life 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.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The carrying amounts of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, and software and other intangibles are analyzed in Notes 12, 13, 14, and 15, respectively.

(d) *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 5.5 to the financial statements as determined by the Bank 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.

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.

(e) *Determination of Realizable Amount of Deferred Tax Assets*

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

Management assessed that the deferred tax assets recognized as of December 31, 2024 and 2023 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 24.

(f) *Impairment of Non-financial Assets*

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

In 2024, the Bank booked an impairment loss on certain bank premises amounting to P2.4 million. No impairment loss is required on other furniture, fixtures and equipment, investment properties, software and other intangibles, and goodwill accounts in 2024 and 2023.

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

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

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

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

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation as well as the significant assumptions used in estimating such obligation in the next reporting period are presented in Note 23.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

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. It regularly reviews and approves the institution's tolerance for risks, as well as, its business strategy and risk philosophy.

The BOD has constituted the 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 and Credit Committee. The Executive Committee and Credit 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, social media risk, consumer protection risk and environmental social risk to ensure that current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite.

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

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

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

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 Bank.

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 Bank may need to support its maturing obligations. To ensure that the Bank maintains a prudent and manageable level of cumulative negative gap, the Bank maintains a pool of highly liquid assets in the form of investment securities. Moreover, The BOD has approved the MCO limits which reflect the Bank's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance 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 concentrations, 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 ALCO meetings.

Pursuant to applicable BSP regulations, the Bank is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP (see Note 7).

4.1.1 Liquidity Risk Stress

To augment the effectiveness of the Bank's gap analysis, the Bank regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported to the RMC.

4.2 Market Risk

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

4.2.1 Foreign Exchange Risk

Most of the Bank's transactions are carried out in Philippine pesos, its functional currency. The Bank's exposures to currency exchange rates may arise from deposits with other banks denominated in currencies other than the Philippine peso. As of December 31, 2024 and 2023 the Bank has no significant foreign currency risk exposure as it has no significant foreign currency-denominated deposits with other banks and deposit liabilities to depositors.

4.2.2 Interest Rate Risk

The Bank prepares an interest rate gap analysis in the Banking Book to measure the sensitivity of its resources and liabilities 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 the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The analyses of the groupings of resources and liabilities as of December 31, 2024 and 2023 based on the expected interest realization or recognition are shown below.

(Amounts in PHP)	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	-	-	-	-	3,926,624,168	3,926,624,168
Due from BSP and other banks	-	-	-	-	6,239,160,429	6,239,160,429
Investment securities at FVOCI	-	-	4,614,473,268	272,988,319	-	4,887,461,587
Investment securities at Amortized cost	1,047,126,855	-	3,979,878,128	-	-	5,027,004,983
Loans and other receivables - net	375,663,279	3,450,624,665	78,714,234,206	14,328,026,257	2,568,863,546	99,437,411,953
Other resources - net*	-	-	-	-	4,535,063,524	4,535,063,524
Total Resources	1,422,790,134	3,450,624,665	87,308,585,602	14,601,014,576	17,269,711,667	124,052,726,644
Liabilities and Equity:						
Deposit liabilities	28,198,955,780	3,717,520,275	1,326,580,328	9,350,000	60,534,774,241	93,787,180,624
Bills payable	444,600,354	4,250,000,000	6,962,500,000	-	-	11,657,100,354
Lease liabilities	805,257,088	-	-	-	-	805,257,088
Accrued expenses and other liabilities	-	-	-	-	2,006,451,528	2,006,451,528
Income tax payable	-	-	-	-	81,566,904	81,566,904
Total Liabilities	29,448,813,222	7,967,520,275	8,289,080,328	9,350,000	62,622,792,673	108,337,556,498
Equity	-	-	-	-	15,715,170,146	15,715,170,146
Total Liabilities and Equity	29,448,813,222	7,967,520,275	8,289,080,328	9,350,000	78,337,962,819	124,052,726,644
Periodic Gap	(28,026,023,088)	(4,516,895,610)	79,019,505,274	14,591,664,576	(61,068,251,152)	-
Cumulative Total Gap	(28,026,023,088)	(32,542,918,698)	46,476,586,576	61,068,251,152	-	-
	2023					
(Amounts in PHP)	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	-	-	-	-	2,562,500,209	2,562,500,209
Due from BSP and other banks	-	-	-	-	9,230,770,179	9,230,770,179
Investment securities	-	100,302,150	8,551,290,206	269,077,029	-	8,920,669,385
Loans and other receivables - net	280,421,392	3,137,332,087	65,769,649,479	12,219,634,952	2,002,039,620	83,409,077,530
Other resources - net*	-	-	-	-	3,862,363,761	3,862,363,761
Total Resources	280,421,392	3,237,634,237	74,320,939,685	12,488,711,981	17,657,673,769	107,985,381,064
Liabilities and Equity:						
Deposit liabilities	26,178,962,302	3,132,857,315	1,260,431,702	11,495,000	47,104,991,179	77,688,737,498
Bills payable	800,000,000	4,850,000,000	9,251,139,639	-	-	14,901,139,639
Lease liabilities	708,979,657	-	-	-	-	708,979,657
Accrued expenses and other liabilities	-	-	-	-	1,771,265,904	1,771,265,904
Income tax payable	-	-	-	-	90,864,364	90,864,364
Total Liabilities	27,687,941,959	7,982,857,315	10,511,571,341	11,495,000	48,967,121,447	95,160,987,062
Equity	-	-	-	-	12,824,394,002	12,824,394,002
Total Liabilities and Equity	27,687,941,959	7,982,857,315	10,511,571,341	11,495,000	61,791,515,449	107,985,381,064
Periodic Gap	(27,407,520,567)	(4,745,223,078)	63,809,368,344	12,477,216,981	(44,133,841,680)	-
Cumulative Total Gap	(27,407,520,567)	(32,152,743,645)	31,656,624,609	44,133,841,680	-	-

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

The Bank's market risk management uses Earnings-at-risk limits. The Bank computes the earnings-at-risk based on the repricing profile of the Banking Book and benchmarks against projected annual net interest income and capital.

<i>(Amounts in PHP)</i>	2024			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	<u>268,351,273</u>	<u>(268,351,273)</u>	<u>134,175,636</u>	<u>(134,175,636)</u>
As a percentage of the Bank's net interest income for 2024	<u>3.61%</u>	<u>(3.61%)</u>	<u>1.80%</u>	<u>(1.80%)</u>
Earnings-at-risk	<u>967,784,740</u>			
	2023			
	Change in Interest Rates (in basis points)			
<i>(Amounts in PHP)</i>	-100	+100	-50	+50
Change on annualized net interest income	<u>275,345,730</u>	<u>(275,345,730)</u>	<u>137,672,730</u>	<u>(137,672,730)</u>
As a percentage of the Bank's net interest income for 2023	<u>4.54%</u>	<u>(4.54%)</u>	<u>2.27%</u>	<u>(2.27%)</u>
Earnings-at-risk	<u>1,268,268,570</u>			

4.2.3 Other Price Risk

The Bank's market price risk arises from its investments carried at fair value. The Bank manages exposure to price risk of financial assets at FVOCI by monitoring the changes in the market price of these investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

The impact of 100 basis points decrease in prices on debt securities classified as financial assets at FVOCI on the Bank's other comprehensive income as of December 31, 2024 and 2023 is P134.6 million and P171.9 million, respectively.

4.3 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, and other activities undertaken by the Bank. 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 the Bank'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.

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, and to industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review.

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

The Bank'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 risk ratings presented in the succeeding page.

(i) Especially Mentioned

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

(ii) Substandard

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

(iii) Doubtful

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

(iv) Loss

Accounts classified as "Loss" are individual credits or portions thereof, which are considered uncollectible or worthless, and of such little value that their continuance as bankable assets is 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 Bank's management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Bank using internal credit ratings.

4.3.2 Credit Quality Analysis

The table presented in the succeeding page sets out information about the credit quality of cash and cash equivalents, loans and other receivables, financial assets at FVOCI and investment securities measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts for loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2024 and 2023 there are no purchased or originated credit impaired financial assets in the Bank's financial statements.

The tables below show the exposure to credit risk as of December 31, 2024 and 2023 for each internal risk grade and the related allowance for impairment.

(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Grades AAA to B : Current	94,244,267	-	-	94,244,267
Grade B- : Watchlisted	25,707,685	-	-	25,707,685
Grade C : LEM	-	-	-	-
Grade D : Substandard	-	22,908,656	-	22,908,656
Grade F : Loss	-	-	1,589,877	1,589,877
	<u>119,951,952</u>	<u>22,908,656</u>	<u>1,589,877</u>	<u>144,450,485</u>
Allowance for impairment	(2,440,165)	(22,908,656)	(1,500,000)	(26,848,821)
Carrying amount	<u>117,511,787</u>	<u>-</u>	<u>89,877</u>	<u>117,601,664</u>
Receivables from customers - consumers				
Grades AAA to B : Current	98,057,519,714	-	-	98,057,519,714
Grade C : LEM	8,436,981	-	-	8,436,981
Grade D : Substandard	-	465,444,762	-	465,444,762
Grade E : Doubtful	-	-	263,425,025	263,425,025
Grade F : Loss	-	-	2,500,849,604	2,500,849,604
	<u>98,065,956,695</u>	<u>465,444,762</u>	<u>2,764,274,629</u>	<u>101,295,676,086</u>
Allowance for impairment	(376,069,030)	(75,840,181)	(1,920,410,593)	(2,372,319,804)
Carrying amount	<u>97,689,887,665</u>	<u>389,604,581</u>	<u>843,864,036</u>	<u>98,923,356,282</u>
Other receivables				
Grades AAA to B : Current	330,721,436	-	-	330,721,436
Grade C : LEM	-	-	-	-
Grade D : Substandard	-	-	38,196,321	38,196,321
Grade E : Doubtful	-	-	681,443	681,443
Grade F : Loss	-	-	63,669,174	63,669,174
	<u>330,721,436</u>	<u>-</u>	<u>102,546,938</u>	<u>433,268,374</u>
Allowance for impairment	(500)	-	(36,813,867)	(36,814,367)
Carrying amount	<u>330,720,936</u>	<u>-</u>	<u>65,733,071</u>	<u>396,454,007</u>
Financial assets at FVOCI				
Grades AAA to B : Current	4,887,461,587	-	-	4,887,461,587
Investment securities at amortized cost				
Grades AAA to B : Current	5,027,004,983	-	-	5,027,004,983
(Amounts in PHP)				
	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Grades AAA to B : Current	127,077,190	-	-	127,077,190
Grade B- : Watchlisted	9,208,727	-	-	9,208,727
Grade C : LEM	51,169,627	-	-	51,169,627
Grade D : Substandard	-	22,908,656	-	22,908,656
Grade F : Loss	-	-	1,589,877	1,589,877
	<u>187,455,544</u>	<u>22,908,656</u>	<u>1,589,877</u>	<u>211,954,077</u>
Allowance for impairment	(1,156,656)	(22,908,656)	(1,500,000)	(25,565,312)
Carrying amount	<u>186,298,888</u>	<u>-</u>	<u>89,877</u>	<u>186,388,765</u>
Receivables from customers - consumers				
Grades AAA to B : Current	82,415,014,770	-	-	82,415,014,770
Grade C : LEM	8,536,981	-	-	8,536,981
Grade D : Substandard	-	381,896,817	-	381,896,817
Grade E : Doubtful	-	-	238,798,610	238,798,610
Grade F : Loss	-	-	1,993,475,631	1,993,475,631
	<u>82,423,551,751</u>	<u>381,896,817</u>	<u>2,232,274,241</u>	<u>85,037,722,809</u>
Allowance for impairment	(457,985,682)	(139,901,656)	(1,536,332,106)	(2,134,219,444)
Carrying amount	<u>81,965,566,069</u>	<u>241,995,161</u>	<u>695,942,135</u>	<u>82,903,503,365</u>
Other receivables				
Grades AAA to B : Current	265,682,242	-	-	265,682,242
Grade C : LEM	-	11,066,248	-	11,066,248
Grade D : Substandard	-	-	4,430,789	4,430,789
Grade E : Doubtful	-	-	15,709,000	15,709,000
Grade F : Loss	-	-	58,368,254	58,368,254
	<u>265,682,242</u>	<u>11,066,248</u>	<u>78,508,043</u>	<u>355,256,533</u>
Allowance for impairment	(871,189)	-	(35,199,944)	(36,071,133)
Carrying amount	<u>264,811,053</u>	<u>11,066,248</u>	<u>43,308,099</u>	<u>319,185,400</u>
Financial assets at FVOCI				
Grades AAA to B : Current	4,938,452,761	-	-	4,938,452,761
Investment securities at amortized cost				
Grades AAA to B : Current	3,982,216,624	-	-	3,982,216,624

As of December 31, 2024 and 2023, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P10,165.8 million and P11,793.3 million, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on Standard & Poor's ratings.

4.3.3 Concentration of Credit Risk

The Bank monitors concentrations of credit risk by sector only since for geographic location all are concentrated in the Philippines. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below.

(Amounts in PHP)	2024			2023		
	Cash and Cash Equivalents*	Receivables from Customers	Investment Securities	Cash and Cash Equivalents*	Receivables from Customers	Investment Securities
Concentration by sector:						
Financial and insurance activities	10,165,784,597	35,694,405	9,914,466,570	11,793,270,388	5,848,409	8,820,367,235
Consumption	-	72,735,455,964	-	-	64,193,552,248	-
Wholesale and retail trade	-	6,297,454,098	-	-	4,971,192,454	-
Agriculture, forestry and fishing	-	20,414,216,274	-	-	14,788,881,881	-
Manufacturing	-	523,353,097	-	-	471,096,327	-
Accommodation and food service activities	-	266,888,598	-	-	103,735,412	-
Human health and social work activities	-	75,400,993	-	-	100,303,239	-
Construction	-	197,349,816	-	-	104,411,075	-
Transportation and storage	-	90,358,891	-	-	49,942,481	-
Real estate activities	-	14,090,506	-	-	18,429,784	100,302,150
Education	-	34,200,301	-	-	24,395,856	-
Administrative and support services	-	58,793,805	-	-	48,139,869	-
Mining and quarrying	-	24,105,656	-	-	24,360,098	-
Professional, scientific and technical services	-	31,224,486	-	-	19,891,531	-
Information and communication	-	21,725,502	-	-	16,982,544	-
Electricity, gas, steam and air-conditioning supply	-	4,617,316	-	-	3,857,480	-
Water supply, sewerage waste management and remediation activities	-	5,437,701	-	-	3,472,203	-
Arts, entertainment and recreation	-	3,384,862	-	-	2,967,606	-
Other service activities	-	606,374,300	-	-	298,216,389	-
	<u>10,165,784,597</u>	<u>101,440,126,571</u>	<u>9,914,466,570</u>	<u>11,793,270,388</u>	<u>85,249,676,886</u>	<u>8,920,669,385</u>

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks

4.3.4 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against credit exposures from customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated periodically, e.g., annually for real estate properties, as provided in the Parent Bank's Credit Policy Manual. Collateral generally is not held over due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity. The Bank hold collateral against credit exposures in the form of property and hold-out deposits.

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 is presented below:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Receivable from customers – corporate		
Property	1,131,049,240	1,543,594,705
Hold-out deposits	485,555,556	111,200,000
	<u>1,616,604,796</u>	<u>1,654,794,705</u>
Receivable from customers – consumer		
Property	70,327,920	73,990,800
Hold-out deposits	52,077,513	36,316,000
	<u>112,405,433</u>	<u>110,306,800</u>
	<u>1,729,010,229</u>	<u>1,765,101,505</u>

As of December 31, 2024 and 2023, no collateral is held for due from other banks and investment securities.

In 2024 and 2023, no properties were recognized arising from foreclosures in settlement of loan accounts. The carrying amount of the Bank's foreclosed assets, which pertain to land and buildings and related improvements, amounted to P1.3 million and P1.4 million as of December 31, 2024 and 2023, respectively. The foreclosed assets are all presented as Investment Properties in the statements of financial position (see Note 14).

The Bank's manner of disposing the collateral for impaired loans and other receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

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 Bank generally requests that corporate and individual borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

While the Bank is focused on corporate and individual customers' creditworthiness, it continuously and regularly updates the valuation of collateral held against all loans to corporate 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 Bank obtains appraisals of collateral to provide input into determining the management credit risk actions.

(a) Receivable from Customers - Corporate

The net carrying amount of credit-impaired receivables (loans under Stages 2 and 3) to corporate customers amounted to P0.1 million as of December 31, 2024 and 2023.

(b) *Receivable from Customers - Consumer*

The net carrying amount of credit-impaired receivables to individual customers amounted to P1,233.5 million and P937.9 million as of December 31, 2024 and 2023, respectively. The fair value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to P1.1 million as of December 31, 2024 and 2023, respectively. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

(c) *Other Receivables*

The net carrying amount of credit-impaired receivables to corporate customers amounted to P65.7 million and P54.4 million as of December 31, 2024 and 2023, respectively.

(d) *Debt Investment Securities*

The maximum exposure to credit risk of the financial assets at FVOCI and investment securities at amortized cost are their carrying amounts of P4,887.5 million and P5,027.0 million, respectively, as of December 31, 2024, and P4,839.7 million and P3,928.7 million, respectively, as of December 31, 2023.

There were no changes in the Bank's collateral policies in 2024 and 2023.

4.3.5 Amounts Arising from Expected Credit Losses

At each reporting date, the Bank 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 Bank measures credit risk using probability of default (PD), loss given default (LGD) and exposure at default (EAD).

(a) *Significant Increase in Credit Risk*

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

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

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

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

(i) Credit risk grading

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

The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference 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.

The Bank assigns corporate and consumer loans based on classification into stages of impairment as follows:

- Grades AAA to C : Stage 1
- Grade D : Stage 2
- Grades E to F : Stage 3

(ii) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures 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 Bank employs statistical models to analyze the data collected and generate the term structure of PD estimates.

(iii) Determining whether credit risk has significantly increased

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

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

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

(b) *Definition of Default*

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank; or,
- it is becoming probable that the borrower will restructure the asset 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 Bank considers indicators that are qualitative (e.g., breaches of covenant) and, quantitative (overdue or non-payment).

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

(c) *Forward-looking Information (FLI)*

The Bank incorporates forward-looking information 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 Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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

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

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

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

(d) *Modified Financial Assets*

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

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

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

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

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

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

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

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

(e) *Measurement of ECL*

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed in the preceding page under the heading 'Generating the term structure of PD'.

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

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For 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 in the previous page, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

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

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

For portfolios in respect of which the Bank has limited historical data, external benchmark information (e.g., PD from external credit rating agencies, Basel LGD) issued 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.

(f) *Write-offs*

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

(g) *Credit Risk Exposure*

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, as shown below.

		2024			
<i>(Amounts in PHP)</i>		<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
Receivables from customers:					
Corporate		144,450,485	1,616,604,796	-	144,450,486
Consumer		<u>101,295,676,086</u>	<u>112,405,433</u>	<u>101,183,270,653</u>	<u>112,405,433</u>
		<u>101,440,126,571</u>	<u>1,729,010,229</u>	<u>101,183,270,653</u>	<u>256,855,919</u>
		2023			
<i>(Amounts in PHP)</i>		<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
Receivables from customers:					
Corporate		211,954,077	1,654,794,705	-	211,954,077
Consumer		<u>85,037,722,809</u>	<u>110,306,800</u>	<u>84,927,416,009</u>	<u>110,306,800</u>
		<u>85,249,676,886</u>	<u>1,765,101,505</u>	<u>84,927,416,009</u>	<u>322,260,877</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 investment securities at FVOCI as of December 31:

<i>(Amounts in PHP)</i>		Notes	<u>2024</u>	<u>2023</u>
Cash and cash equivalents		6	10,165,784,597	11,793,270,388
Investment securities:				
at FVOCI		9	4,887,461,587	4,938,452,761
at amortized cost		10	<u>5,027,004,983</u>	<u>3,982,216,624</u>
			<u>20,080,251,167</u>	<u>20,713,939,773</u>

Cash and cash equivalents includes amounts due from BSP and from other banks. Investment securities include 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.

(b) *Loss Allowance*

In 2024 and 2023, the Bank performed recalibration of its existing ECL model to incorporate the most-recent default and recovery experience of the Bank and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the probability of default could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure models are robust, predictive and reliable.

The reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument is presented below and in the succeeding page.

<i>(Amounts in PHP)</i>	2024			Total
	Stage 1	Stage 2	Stage 3	
Receivables from customers				
- corporate				
Balance at January 1	1,156,656	22,908,656	1,500,000	25,565,312
Transfers to:				
Stage 1	18,836,465	(18,836,465)	-	-
Stage 2	(22,908,656)	22,908,656	-	-
Stage 3	-	(1,500,000)	1,500,000	-
Net remeasurement of loss allowance	5,696,832	(2,572,191)	(1,500,000)	1,624,641
Derecognition of financial assets	(341,132)	-	-	(341,132)
Balance at December 31	<u>2,440,165</u>	<u>22,908,656</u>	<u>1,500,000</u>	<u>26,848,821</u>
Receivables from customers				
- consumer				
Balance at January 1	457,985,681	139,901,657	1,536,332,106	2,134,219,444
Transfers to:				
Stage 1	242,329,350	(131,488,107)	(110,841,243)	-
Stage 2	(24,527,586)	49,128,140	(24,600,554)	-
Stage 3	(530,713,050)	(1,151,577,940)	1,682,290,990	-
Net remeasurement of loss allowance	73,862,442	1,187,045,736	(98,877,263)	1,162,030,915
New financial assets originated	214,729,523	27,594,886	112,642,945	354,967,354
Derecognition of financial assets	(57,597,330)	(44,764,191)	(390,703,521)	(493,065,042)
Write-offs	-	-	(785,832,867)	(785,832,867)
Balance at December 31	<u>376,069,030</u>	<u>75,840,181</u>	<u>1,920,410,593</u>	<u>2,372,319,804</u>
Other receivables				
Balance at January 1	871,189	-	35,199,944	36,071,133
Transfers to:				
Stage 1	500	(500)	-	-
Stage 2	-	-	-	-
Stage 3	-	(33,508,111)	33,508,111	-
Net remeasurement of loss allowance	(58,361)	33,508,611	(20,351,165)	13,099,085
New financial assets originated	-	-	2,842,798	2,842,798
Derecognition of financial assets	(812,828)	-	(14,367,345)	(15,180,173)
Write-offs	-	-	(18,476)	(18,476)
Balance at December 31	<u>500</u>	<u>-</u>	<u>36,813,867</u>	<u>36,814,367</u>

<i>(Amounts in PHP)</i>	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Balance at January 1	14,513,819	-	1,887,169	16,400,988
Transfers to:				
Stage 1	1,516,304	(1,516,304)	-	-
Stage 2	(12,180,054)	12,180,054	-	-
Stage 3	-	(1,500,000)	1,500,000	-
Net remeasurement of loss allowance	(2,525,952)	13,744,906	(1,499,998)	9,718,956
Derecognition of financial assets	(167,461)	-	(387,171)	(554,632)
Balance at December 31	<u>1,156,656</u>	<u>22,908,656</u>	<u>1,500,000</u>	<u>25,565,312</u>
Receivables from customers - consumer				
Balance at January 1	507,547,059	113,747,715	1,369,193,029	1,990,487,803
Transfers to:				
Stage 1	333,037,495	(14,028,908)	(319,008,587)	-
Stage 2	(9,893,773)	20,196,908	(10,303,135)	-
Stage 3	(40,444,893)	(994,878,059)	1,035,322,952	-
Net remeasurement of loss allowance	(527,027,489)	992,383,292	408,062,983	873,418,786
New financial assets originated	320,065,863	65,428,608	185,682,502	571,176,973
Derecognition of financial assets	(125,298,580)	(42,947,900)	(560,480,505)	(728,726,985)
Write-offs	-	-	(572,137,133)	(572,137,133)
Balance at December 31	<u>457,985,682</u>	<u>139,901,656</u>	<u>1,536,332,106</u>	<u>2,134,219,444</u>
Other receivables				
Balance at January 1	165,420	-	40,235,083	40,400,503
Transfers to:				
Stage 1	3,444	(1,619)	(1,825)	-
Stage 2	(3,188)	4,807	(1,619)	-
Stage 3	(8,251)	(34,729,854)	34,738,105	-
Net remeasurement of loss allowance	710,320	34,721,859	(35,424,101)	8,078
New financial assets originated	3,444	4,807	1,619	9,870
Write-offs	-	-	(4,347,318)	(4,347,318)
Balance at December 31	<u>871,189</u>	<u>-</u>	<u>35,199,944</u>	<u>36,071,133</u>

The following table sets out a reconciliation of changes in the total loss allowance.

<i>(Amounts in PHP)</i>	2024	2023
Balance at January 1	2,195,855,889	2,047,289,294
New financial assets originated	357,810,152	571,186,843
Write-off	(785,851,343)	(576,484,451)
Net remeasurement of loss allowance	1,176,754,641	883,145,821
Derecognition of financial assets	(508,586,347)	(729,281,618)
Balance at December 31	<u>2,435,982,992</u>	<u>2,195,855,889</u>

Write-off of allowance for impairment on loans and receivables was approved by the Bank's BOD on various dates in 2024 and 2023 (see Note 16).

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

The tables on the succeeding page 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.

In response to the unprecedented impact of COVID-19 pandemic, the Bank granted to its customers the mandatory reliefs provided by the government through *Bayaniban 1* and *Bayaniban 2*. In addition, it entered into voluntary renegotiations of terms of loans of some other customers with a view of maximizing recovery of the contractual amount of obligation. These relief measures were granted to eligible borrowers to allow them to get back into the habit of paying loans which includes payment relief including extension of contractual terms, principal and interest relief, as well as extension of balloon payment terms.

As of December 31, 2024 and 2023, the total outstanding balance of loans modified under *Bayaniban 1* and *Bayaniban 2* amounted to P307.9 million and P390.3 million, respectively.

Financial reliefs provided by the Bank and mandated by the government were assessed to be non-substantial modification and has not resulted to material modification loss as the present value of the original cash flows and the present value of the revised cash flows using the original effective interest rate were substantially the same.

(j) *Sensitivity Analysis on ECL Measurement*

Set out below are the changes to the Bank'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 Bank's economic variable assumptions.

	Change in MEVs		Impact on ECL	
	Increase	Decrease	Increase in MEV	Decrease in MEV
2024:				
Salary Loans				
GDP growth rate	+1.00%	-1.00%	-0.30%	0.30%
Inflation rate	+1.00%	-1.00%	0.78%	-1.36%
MSME Loans				
GDP growth rate	+1.00%	-1.00%	-0.85%	0.85%
Inflation rate	+1.00%	-1.00%	2.09%	-3.64%
2023:				
Salary Loans				
GDP growth rate	+1.00%	-1.00%	-0.24%	0.24%
Inflation rate	+1.00%	-1.00%	0.71%	-0.84%
MSME Loans				
GDP growth rate	+1.00%	-1.00%	-0.75%	0.75%
Inflation rate	+1.00%	-1.00%	0.19%	-0.19%

4.4 Operational Risk

Operational risk is the risk of loss due to the Bank'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 Bank manages 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.

4.4.1 Framework

True to its commitment to sound management and corporate governance, the Bank considers operational risk management as a critical element in the conduct of its business. Under the Bank's Operational Risk Management (ORM) framework, the BOD has the ultimate responsibility for providing leadership in the management of operational risk in the Bank.

The RMG provides the common risk language and management tools 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 Bank 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 Bank to identify risks the business/operation faces, assess the severity of those risks, evaluate the adequacy of key controls associated to the identified risks, and take proactive action to address any deficiencies identified.

The Bank 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 Bank likewise uses Loss Data Collection, Analysis and Reporting that allows the Bank 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 the Bank's RCSAs and KRIs. The bank-wide information asset inventory is regularly reviewed to address operational risks arising from information security concerns. The inventory identified critical applications and sensitive data based on the Bank's classification standards, information risks, as well as, protection measures in place to mitigate these risks. Under the purview of information security is data privacy. The Bank's data privacy framework is in accordance with the Republic Act No. 10173, *Data Privacy Act of 2012*.

Operational risks arising from health, safety and environmental issues are appropriately managed through policies and measures that are integrated into the Bank's day-to-day operations. These include Environmental Consciousness, Occupational Health and Safety, and Community Health and Safety.

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

4.5 Legal and Regulatory Risks

Legal risk pertains to the Bank's risk to earnings or capital that may arise as a result of unenforceable contracts, lawsuits or adverse judgments. The Bank may become involved in litigation in enforcing its collection rights under loan agreements in case of borrower's default. The Bank may incur significant legal expenses as a result of these events, but the Bank may still end up with non-collection or non-enforcement of claims. The Bank has established measures to avoid or mitigate the effects of adverse court decisions and engages qualified and accredited legal counsels. At year-end, the Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Bank.

Regulatory risk refers to the potential risk for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The monitoring of the Bank's compliance with these regulations as well as the study of the potential impact of new laws and regulations, is the primary responsibility of the Bank's Compliance Officer. The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on branches and Head Office units, and reporting compliance findings to the Audit Committee and the BOD.

5. CATEGORIES, FAIR VALUE MEASUREMENT AND DISCLOSURES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

(Amounts in PHP)	Notes	2024		2023	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized cost:					
Cash and other					
cash items	6	3,926,624,168	3,926,624,168	2,562,500,209	2,562,500,209
Due from BSP	6, 7	121,928,212	121,928,212	1,202,258,989	1,202,258,989
Due from other banks	6, 8	6,117,232,217	6,117,232,217	8,028,511,190	8,028,511,190
Loans and other					
receivables – net	11	99,437,411,953	99,815,921,647	83,409,077,530	83,869,095,864
Security deposits	15	49,835,791	49,835,791	44,463,049	44,463,049
Investment securities					
at amortized cost	10	5,027,004,983	4,915,968,840	3,982,216,624	3,854,712,489
		<u>114,680,037,324</u>	<u>114,947,510,875</u>	<u>99,229,027,591</u>	<u>99,561,541,790</u>
Financial assets at FVOCI	9	4,887,461,587	4,887,461,587	4,938,452,761	4,938,452,761
		<u>119,567,498,911</u>	<u>119,834,972,462</u>	<u>104,167,480,352</u>	<u>104,499,994,551</u>
Financial Liabilities					
At amortized cost:					
Deposit liabilities					
	17	93,787,180,624	93,410,451,197	77,688,737,498	77,601,334,686
Lease liabilities					
	13	805,257,088	861,247,944	708,979,657	766,773,927
Bills payable					
	18	11,657,100,354	11,587,132,774	14,901,139,639	14,722,428,417
Accrued expenses and other liabilities (except tax-related payables and post-employment defined benefit obligation)					
	19	2,006,451,528	1,668,085,693	1,488,738,064	1,488,738,064
		<u>108,255,989,594</u>	<u>107,526,917,608</u>	<u>94,787,594,858</u>	<u>94,579,275,094</u>

See Note 2.3 for a description of the accounting policies for each category of financial instrument. A description of the Bank's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, 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 financial assets and liabilities 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 the Bank uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.3 Financial Instruments Measured at Fair Value

The tables below show the fair value hierarchy of the Bank's classes of financial assets measured at fair value in the statements of financial position as of December 31.

<i>(Amounts in PHP)</i>	2024			
	Level 1	Level 2	Level 3	Total
Financial Asset				
Financial assets at FVOCI:				
Government debt securities	<u>1,773,807,713</u>	<u>3,113,653,874</u>	<u>-</u>	<u>4,887,461,587</u>
<i>(Amounts in PHP)</i>	2023			
	Level 1	Level 2	Level 3	Total
Financial Asset				
Financial assets at FVOCI:				
Government debt securities	1,749,332,116	3,088,818,495	-	4,838,150,611
Corporate debt securities	<u>-</u>	<u>100,302,150</u>	<u>-</u>	<u>100,302,150</u>
	<u>1,749,332,116</u>	<u>3,189,120,645</u>	<u>-</u>	<u>4,938,452,761</u>

The fair value of the debt securities of the 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.

The Bank has no financial liabilities measured at fair value as of December 31, 2024 and 2023. There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

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

The table below and in the succeeding page summarizes the fair value hierarchy of the 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.

<i>(Amounts in PHP)</i>	2024			
	Level 1	Level 2	Level 3	Total
Financial Assets				
At amortized cost:				
Cash and cash equivalents	10,165,784,597	-	-	10,165,784,597
Loans and other receivables – net	-	-	99,815,921,647	99,815,921,647
Security deposits	-	-	49,835,791	49,835,791
Investment securities at amortized cost	<u>1,045,543,614</u>	<u>3,870,425,226</u>	<u>-</u>	<u>4,915,968,840</u>
	<u>11,211,328,211</u>	<u>3,870,425,226</u>	<u>99,865,757,438</u>	<u>114,947,510,875</u>
Financial Liabilities				
At amortized cost:				
Deposit liabilities	-	-	93,410,451,197	93,410,451,197
Lease liabilities	-	-	861,247,944	861,247,944
Bills payable	-	11,587,132,774	-	11,587,132,774
Accrued expenses and other liabilities (except tax-related payables and post-employment defined benefit obligation)	<u>-</u>	<u>-</u>	<u>1,668,085,693</u>	<u>1,668,085,693</u>
	<u>-</u>	<u>11,587,132,774</u>	<u>95,939,784,834</u>	<u>107,526,917,608</u>

(Amounts in PHP)	2023			
	Level 1	Level 2	Level 3	Total
<i>Financial Assets</i>				
At amortized cost:				
Cash and cash equivalents	11,793,270,388	-	-	11,793,270,388
Loans and other receivables – net	-	-	83,869,095,864	83,869,095,864
Security deposits	-	-	44,463,049	44,463,049
Investment securities at amortized cost	-	3,854,712,489	-	3,854,712,489
	<u>11,793,270,388</u>	<u>3,854,712,489</u>	<u>83,913,558,913</u>	<u>99,561,541,790</u>
<i>Financial Liabilities</i>				
At amortized cost:				
Deposit liabilities	-	-	77,601,334,686	77,601,334,686
Lease liabilities	-	-	766,773,927	766,773,927
Bills payable	-	14,722,428,417	-	14,722,428,417
Accrued expenses and other liabilities (except tax-related payables and post-employment defined benefit obligation)	-	-	1,488,738,064	1,488,738,064
	<u>-</u>	<u>14,722,428,417</u>	<u>79,856,846,677</u>	<u>94,579,275,094</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) *Due from BSP and Other Banks*

Due from BSP pertains to deposits made by the Bank to the BSP for clearing and reserve requirements. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *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 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.

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

(c) *Loans and Other Receivables*

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.

(d) *Deposit Liabilities*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(e) *Security Deposits and Accrued Expenses and Other Liabilities*

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

5.5 Fair Value Measurement for Non-financial Assets

There were no non-financial assets measured at fair value as of December 31, 2024 and 2023.

The fair value of investment properties amounted to P243.5 million and P248.0 million as of December 31, 2024 and 2023, respectively. The fair values were determined through appraisals, which were conducted by an in-house appraiser of the Bank, except for the appraisals of investment properties with carrying amount exceeding P5.0 million, which was conducted by an independent appraiser acceptable to the BSP.

The fair value disclosed for the Bank's investment properties, which consist of parcels of land, is based on Level 3. The Level 3 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 3.

5.6 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		Net amount
	Financial assets	Financial assets set-off		Financial instruments	Deposits hold-out	
<i>(Amounts in PHP)</i>						
December 31, 2024 – Loans and other receivables	<u>99,437,411,953</u>	<u>-</u>	<u>99,437,411,953</u>	<u>-</u>	<u>(438,821,499)</u>	<u>98,998,590,454</u>
December 31, 2023 – Loans and other receivables	<u>83,409,077,530</u>	<u>-</u>	<u>83,409,077,530</u>	<u>(3,098,093,138)</u>	<u>(132,684,594)</u>	<u>80,178,299,798</u>

Certain financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements.

<i>(Amounts in PHP)</i>	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		Net amount
	Financial liabilities	Financial assets set-off		Financial instruments	Deposits hold-out	
December 31, 2024 –						
Deposit liabilities	93,787,180,624	-	93,787,180,624	-	(438,821,499)	93,348,359,125
Bills payable	<u>11,657,100,354</u>	-	<u>11,657,100,354</u>	-	-	<u>11,657,100,354</u>
	<u>105,444,280,978</u>	-	<u>105,444,280,978</u>	-	<u>(438,821,499)</u>	<u>105,005,459,479</u>
December 31, 2023 –						
Deposit liabilities	77,688,737,498	-	77,688,737,498	-	(132,684,594)	77,556,052,904
Bills payable	<u>14,901,139,639</u>	-	<u>14,901,139,639</u>	<u>(3,098,093,138)</u>	-	<u>11,803,046,501</u>
	<u>92,589,877,137</u>	-	<u>92,589,877,137</u>	<u>(3,098,093,138)</u>	<u>(132,684,594)</u>	<u>89,359,099,405</u>

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

For purposes of presenting the information, the related amounts not set-off in the statements of financial position pertains to: (a) deposits hold-out which serves as the Bank's collateral enhancement for certain loans and other receivables; and, (b) collateralized bills payable under sale and repurchase agreements. The deposit hold-out that can be set-off are only disclosed to the extent of the outstanding balance of the collateralized loans since it is less than the related deposits held by the Bank.

6. CASH AND CASH EQUIVALENTS

For purposes of presenting the cash flows, cash and cash equivalents consist of the following:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Cash and other cash items		3,926,624,168	2,562,500,209
Due from BSP	7	121,928,212	1,202,258,989
Due from other banks	8	6,117,232,217	8,028,511,190
		<u>10,165,784,597</u>	<u>11,793,270,388</u>

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches after the Bank's clearing cut-off time until the close of the regular banking hours.

7. DUE FROM BANGKO SENTRAL NG PILIPINAS

This account represents the Bank's demand deposit with the BSP in compliance with BSP's reserve requirements (see Note 6). The Bank has satisfactorily complied with the reserve requirements of the BSP. As per BSP Circular No. 1201 dated September 20, 2024, the rate of required reserves against deposit and deposit substitute liabilities effective reserve week starting October 25, 2024 shall be 0% from 1%. Deposit with BSP do not earn interest.

8. DUE FROM OTHER BANKS

This account is composed of the following as of December 31:

<i>(Amounts in PHP)</i>	Note	<u>2024</u>	<u>2023</u>
Time		3,285,676,496	5,208,063,417
Demand and savings		<u>2,831,555,721</u>	<u>2,820,447,773</u>
	6	<u>6,117,232,217</u>	<u>8,028,511,190</u>

All of the Bank's time deposits, which can be pre-terminated anytime, will mature within three months. Interest income on deposits with other banks amounted to P184.9 million and P159.4 million in 2024 and 2023, respectively, which is presented as Interest Income on Deposits with Other Banks in the statements of profit or loss.

The Bank's deposits in other banks earn annual interest as follows:

	<u>2024</u>	<u>2023</u>
Savings	0.05% - 0.63%	0.05% - 0.25%
Time	0.22% - 5.15%	0.22% - 5.50%

9. INVESTMENT SECURITIES AT FVOCI

This account consists of peso-denominated bonds issued by the Philippine government and certain private corporations with annual nominal interest rates ranging from 3.38% to 8.63% and will mature in various dates until 2032.

The details of the carrying amount of these financial assets are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Government debt securities	4,887,461,587	4,838,150,611
Corporate debt securities	<u>-</u>	<u>100,302,150</u>
	<u>4,887,461,587</u>	<u>4,938,452,761</u>

The reconciliation of the carrying amounts of financial assets at FVOCI as of December 31 are presented in the succeeding page.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		4,938,452,761	4,758,551,931
Unrealized fair value gains		49,950,112	180,649,337
Net decrease in unamortized premium/discount during the year		(471,587)	(459,946)
Cost of matured financial assets at FVOCI		(100,000,000)	(300,000)
Movement in accrued interest receivable		(471,834)	11,432
Impairment loss	16	<u>2,135</u>	<u>7</u>
Balance at end of year		<u>4,887,461,587</u>	<u>4,938,452,761</u>

The interest income recognized on financial assets at FVOCI amounting to P216.7 million and P217.0 million in 2024 and 2023, respectively, and is presented as part of Interest Income on Investment Securities in the statements of profit or loss. The Bank did not sell any of its financial assets in 2024 and 2023.

In 2024 and 2023, the proceeds obtained from the matured financial assets at FVOCI amounted to P100.0 million and P 0.3 million, respectively.

10. INVESTMENT SECURITIES AT AMORTIZED COST

This account consists of investments in bonds issued by the Philippine government with annual fixed coupon rates ranging from 3.38% to 10.25% per annum. These investments will mature on various dates until 2027.

The interest income recognized for investment securities at amortized cost, presented as part of Interest Income on Investment Securities in the statements of profit or loss, amounted to P206.0 million and P189.4 million in 2024 and 2023, respectively.

Management assessed that no impairment loss on the Bank's investment securities at amortized cost is required to be recognized in 2024 and 2023.

The reconciliation of the carrying amounts of financial assets at amortized as of December 31 are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	3,982,216,624	4,134,577,856
Additions	4,309,741,000	-
Maturities	(3,259,741,000)	(150,000,000)
Net decrease in unamortized premium/discount during the year	(5,211,641)	(1,862,899)
Accrued interest receivable	<u>-</u>	<u>(498,333)</u>
Balance at end of year	<u>5,027,004,983</u>	<u>3,982,216,624</u>

There are no investment securities at amortized cost pledge as collateral as of December 31, 2024 and 2023.

11. LOANS AND OTHER RECEIVABLES

As of December 31, the breakdown of this account follows:

<i>(Amounts in PHP)</i>	Note	2024	2023
Receivables from customers:			
Loans:			
Individual consumption		72,422,369,369	63,954,934,689
Commercial		8,118,684,003	6,440,575,075
Agricultural		20,006,233,155	14,065,641,112
Others		168,823,333	209,704,439
		<u>100,716,109,860</u>	<u>84,670,855,315</u>
Allowance for impairment	16	<u>(2,255,171,096)</u>	<u>(2,019,712,092)</u>
		<u>98,460,938,764</u>	<u>82,651,143,223</u>
Accrued interest receivable		724,016,711	578,821,571
Allowance for impairment	16	<u>(143,997,529)</u>	<u>(140,072,664)</u>
		<u>580,019,182</u>	<u>438,748,907</u>
Other receivables:			
Accounts receivable		427,539,921	347,033,361
Allowance for impairment	16	<u>(36,350,909)</u>	<u>(35,607,675)</u>
		<u>391,189,012</u>	<u>311,425,686</u>
Sales contract receivable		5,728,453	8,223,172
Allowance for impairment	16	<u>(463,458)</u>	<u>(463,458)</u>
		<u>5,264,995</u>	<u>7,759,714</u>
		<u>99,437,411,953</u>	<u>83,409,077,530</u>

No loans granted to directors, officers, stockholders and related interests (DOSRI) are outstanding as of December 31, 2024 and 2023 [see Note 27(f)].

The classification of loans as to interest rate follows:

<i>(Amounts in PHP)</i>	2024	2023
Over 25.00%	7,555,358,971	6,009,974,435
Over 20.00% - 25.00%	11,131,013	2,987,098
Over 15.00% - 20.00%	5,868,285	4,849,038
15.00% and below	<u>93,143,751,591</u>	<u>78,653,044,744</u>
	<u>100,716,109,860</u>	<u>84,670,855,315</u>

As of December 31, 2023, certain loan receivables were pledged as collateral for certain bills payable of the Bank (see Note 18). There were no loan receivables pledged as of December 31, 2024.

Interest income on loans and other receivables recognized amounting to P9,625.7 million and P7,896.7 million in 2024 and 2023, respectively, is presented as Interest Income on Loans and Other Receivables in the statements of profit or loss.

The breakdown of loans by status is presented as follows:

<i>(Amounts in PHP)</i>	2024	2023
Current	96,863,283,411	81,399,278,196
Past due	3,678,436,938	3,126,846,349
In litigation	174,389,511	144,730,770
	100,716,109,860	84,670,855,315

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and allowance for impairment of bank premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold and Land Improvements	Construction in Progress	Total
December 31, 2024						
Cost	729,667,874	1,292,569,851	1,590,667,640	963,319,730	7,815,000	4,584,040,095
Accumulated depreciation and amortization	-	(653,346,061)	(1,040,480,423)	(531,218,328)	-	(2,225,044,812)
Allowance for impairment	(137,985,044)	(7,750,692)	-	-	-	(145,735,736)
Net carrying amount	591,682,830	631,473,098	550,187,217	432,101,402	7,815,000	2,213,259,547
December 31, 2023						
Cost	729,667,874	1,276,263,903	1,391,787,892	796,589,135	1,433,980	4,195,742,784
Accumulated depreciation and amortization	-	(631,634,032)	(913,063,133)	(413,090,073)	-	(1,957,787,238)
Allowance for impairment	(137,985,044)	(5,335,497)	-	-	-	(143,320,541)
Net carrying amount	591,682,830	639,294,374	478,724,759	383,499,062	1,433,980	2,094,635,005
January 1, 2023						
Cost	736,445,946	1,246,070,874	1,172,472,741	634,833,487	1,173,000	3,790,996,048
Accumulated depreciation and amortization	-	(610,732,602)	(802,959,528)	(303,179,900)	-	(1,716,872,030)
Allowance for impairment	(142,963,116)	(5,335,497)	-	-	-	(148,298,613)
Net carrying amount	593,482,830	630,002,775	369,513,213	331,653,587	1,173,000	1,925,825,405

A reconciliation of the carrying amounts at the beginning and end of 2024 and 2023, of bank premises, furniture, fixtures and equipment is shown below and in the succeeding page.

<i>(Amounts in PHP)</i>	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold and Land Improvements	Construction in Progress	Total
Balance at January 1, 2024, net of accumulated depreciation and amortization	591,682,830	639,294,374	478,724,759	383,499,062	1,433,980	2,094,635,005
Additions	-	15,728,063	241,196,446	197,829,904	7,815,000	462,569,413
Cost of assets disposed	-	-	(37,799,292)	-	-	(37,799,292)
Reclassifications	-	577,885	(4,517,406)	(114,000)	(1,433,980)	(5,487,501)
Allowance for impairment of assets disposed	-	(2,415,195)	-	-	-	(2,415,195)
Accumulated depreciation of assets disposed	-	-	36,153,549	-	-	36,153,549
Depreciation and amortization charges for the year	-	(21,712,029)	(163,570,839)	(149,113,564)	-	(334,396,432)
Balance at December 31, 2024, net of accumulated depreciation and amortization	591,682,830	631,473,098	550,187,217	432,101,402	7,815,000	2,213,259,547

<i>(Amounts in PHP)</i>	<u>Land</u>	<u>Buildings</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Leasehold and Land Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2023, net of accumulated depreciation and amortization	593,482,830	630,002,775	369,513,213	331,653,587	1,173,000	1,925,825,405
Additions	-	28,403,678	258,408,843	178,060,378	1,433,980	466,306,879
Cost of assets disposed	(6,778,072)	-	(10,064,481)	-	-	(16,842,553)
Reclassifications	-	1,789,350	(2,760,761)	2,144,411	(1,173,000)	-
Allowance for impairment of assets disposed	4,978,072	-	-	-	-	4,978,072
Accumulated depreciation of assets disposed	-	-	10,031,926	-	-	10,031,926
Derecognition/adjustment/ reversal	-	-	(4,794,818)	(4,135,007)	-	(8,929,825)
Depreciation and amortization charges for the year	-	(20,901,429)	(141,609,163)	(124,224,307)	-	(286,734,899)
Balance at December 31, 2023, net of accumulated depreciation and amortization	<u>591,682,830</u>	<u>639,294,374</u>	<u>478,724,759</u>	<u>383,499,062</u>	<u>1,433,980</u>	<u>2,094,635,005</u>

In 2024 and 2023, the Bank recognized a gain of P5.4 million and P6.0 million, respectively, on the disposal of certain land and furniture, fixtures, and equipment, which is presented as part of Other Income in the statements of profit or loss (see Note 22).

The total depreciation and amortization expense amounted to P334.4 million and P286.7 million for the years ended December 31, 2024 and 2023, respectively, and is presented as part of Occupancy and Equipment-related Expenses under Other Operating Expenses in the statements of profit or loss.

Cost of fully-depreciated and fully-amortized assets still used in operations amounted to P1,003.0 million and P754.4 million in 2024 and 2023, respectively.

In 2024 and 2023, there are no bank premises, furniture, fixtures and equipment pledged as collateral for any obligation of the Bank.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50.00% of the Bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this requirement.

13. LEASES

The Bank has leases for several branch offices. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

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

The Bank has 474 and 425 right-of-use assets leased as of December 31, 2024 and 2023, respectively, with a remaining term that ranges from 1 month to 12 years, all of which have extension and termination options and no options to purchase.

13.1.1 Right-of-Use Assets

The carrying amounts of the Bank's right-of-use assets as of December 31 and the movements during the year are shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	652,839,187	509,868,792
Additions	328,576,456	397,478,321
Disposals	(14,848,955)	(11,656,564)
Depreciation and amortization	<u>(232,773,787)</u>	<u>(242,851,362)</u>
Balance at end of year	<u>733,792,901</u>	<u>652,839,187</u>

13.2 Lease Liabilities

Presented below is the reconciliation in 2024 and 2023 of the Bank's lease liabilities :

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	708,979,657	541,621,897
Cash flow from financing activity – Repayment of lease liabilities	(288,289,881)	(287,948,700)
Non-cash financing activities: Additional lease liabilities	328,576,456	397,512,190
Interest amortization on lease liabilities	<u>55,990,856</u>	<u>57,794,270</u>
Balance at end of year	<u>805,257,088</u>	<u>708,979,657</u>

Additional information on the lease liabilities and amounts in respect of possible future lease termination options not recognized as a liability are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Lease liabilities	805,257,088	708,979,657
Historical rate of exercise of termination option	0.00%	0.00%
Number of leases with an extension option that is not considered reasonably certain of exercise	474	425

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31 is as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>							<u>Total</u>
	<u>Within 1 year</u>	<u>1 to 2 year</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>5 to 10 years</u>	<u>10 to 12 years</u>	
Lease payments	278,181,268	239,713,477	159,145,980	90,237,206	57,349,844	147,988,994	3,244,919	975,861,688
Finance charges	<u>(53,949,724)</u>	<u>(38,565,559)</u>	<u>(25,289,697)</u>	<u>(16,960,851)</u>	<u>(11,946,293)</u>	<u>(23,694,426)</u>	<u>(198,050)</u>	<u>(17,0604,600)</u>
Net present values	<u>224,231,544</u>	<u>201,147,918</u>	<u>133,856,283</u>	<u>73,276,355</u>	<u>45,403,551</u>	<u>124,294,568</u>	<u>3,046,869</u>	<u>805,257,088</u>

<i>(Amounts in PHP)</i>	2023							Total
	Within 1 year	1 to 2 year	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	10 to 12 years	
Lease payments	241,634,915	215,464,468	173,300,525	93,843,412	29,040,803	73,448,084	4,990,902	831,723,109
Finance charges	(43,250,153)	(31,062,990)	(19,270,053)	(10,108,126)	(5,825,385)	(12,785,909)	(440,836)	(122,743,452)
Net present values	<u>198,384,762</u>	<u>184,401,478</u>	<u>154,030,472</u>	<u>83,735,286</u>	<u>23,215,418</u>	<u>60,662,175</u>	<u>4,550,066</u>	<u>708,979,657</u>

13.3 Lease Payments Not Recognized as Liabilities

The Bank has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed outright. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating short-term leases and low-value assets amounted to P4.6 million and P8.1 million, respectively, for 2024, and P4.5 million and P9.1 million, respectively, for 2023, and are presented as part of Occupancy and Equipment-related Expenses under Other Operating Expenses in the statements of profit or loss.

At December 31, 2024 and 2023, the Bank is not committed to short-term leases.

13.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P288.3 million and P287.9 million in 2024 and 2023, respectively. Interest expense in relation to lease liabilities amounted to P56.0 million and P57.8 million, in 2024 and 2023, respectively, and is presented as Interest Expense on Lease Liabilities in the statements of profit or loss.

14. INVESTMENT PROPERTIES

This account represents parcels of land and buildings and related improvements, which are held for capital appreciation, acquired in settlement of loans. Investment properties are carried at cost less allowance for impairment and accumulated depreciation. Real estate tax related to investment properties amounted to P0.1 million for 2024 and 2023, and is presented as part of Others under Other Operating Expenses in the statements of profit or loss.

The gross carrying amounts and allowance for impairment of investment properties as of December 31, 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	Note	2024	2023
Cost		8,976,807	8,976,809
Allowance for impairment	16	(5,835,861)	(5,835,861)
Accumulated depreciation		(1,871,453)	(1,720,027)
Net carrying amount		<u>1,269,493</u>	<u>1,420,921</u>

A reconciliation of the carrying amount at the beginning and end of 2024 and 2023 is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at January 1, net of allowance for impairment and accumulated depreciation	1,420,921	2,257,697
Disposals	(2)	(497,003)
Depreciation	<u>(151,426)</u>	<u>(339,773)</u>
Balance at December 31, net of allowance for impairment and accumulated depreciation	<u>1,269,493</u>	<u>1,420,921</u>

The Bank recognized income from disposal of investment properties in 2024 and 2023 amounting to P0.3 million and P1.2 million, respectively, and is presented as Income from disposal of investment properties under Other Income in the statements of profit or loss (see Note 22). Proceeds from disposal of investment properties amounted to P0.3 million and P0.8 million in 2024 and 2023, respectively.

The depreciation of investment properties is presented as part of Occupancy and Equipment-related Expenses in the statements of profit or loss.

15. PREPAYMENTS AND OTHER RESOURCES

The composition of this account as of December 31 is shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Retirement benefit asset	23.2	426,066,978	392,289,445
Returned checks and other cash items	15.4	664,959,480	-
Goodwill	15.1	114,013,933	114,013,933
Prepaid expenses	15.2	105,332,555	97,677,278
Security deposits		49,835,791	44,463,049
Software and other intangibles – net	15.3	11,979,560	22,189,551
Unused stationery and supplies		9,752,361	11,095,502
Other investments		532,000	532,000
Others	15.5	<u>57,381,460</u>	<u>88,692,283</u>
		1,439,854,118	770,953,041
Allowance for impairment	16	<u>(532,000)</u>	<u>(532,000)</u>
		<u>1,439,322,118</u>	<u>770,421,041</u>

15.1 Goodwill

Goodwill represents the excess of the cost of acquisition of the Bank over the fair value of net assets acquired at the date of acquisition and relates mainly to business synergy for economics of scale and scope.

Goodwill, which is assessed to have an indefinite useful life, is subject to annual impairment testing and whenever there is an indication of impairment. The recoverable amount to determine any impairment on the goodwill was determined using discounted cash flow method approach based on five-year cash flow projection to be realized by the acquired entity and the estimated terminal value. The Bank considered key assumptions in determining the cash flow projections such as profit margins and volume growths. The growth rate used to extrapolate the five-year cash flow projection is set at 9.58%, maximum, at a discount rate of 6.08%. Based on management analyses, no impairment on goodwill is required to be recognized in 2024 and 2023.

15.2 Prepaid Expenses

Prepaid expenses pertain to the Bank's advance payment of administrative expenses related to rent, insurance and other expenses. Prepaid expenses also include the balance of prepaid electronic documentary stamp tax (eDST) amounting to P57.5 million and P62.2 million as of December 31, 2024 and 2023, respectively.

15.3 Software and Other Intangibles

Software and other intangibles pertain to various purchased computer software license used in financial services activity and other operations of the Bank.

The gross carrying amounts and accumulated amortization of software and other intangibles as of December 31 are shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Cost	77,075,163	71,891,561
Accumulated depreciation	(65,095,603)	(49,702,010)
Net carrying amount	<u>11,979,560</u>	<u>22,189,551</u>

A reconciliation of the carrying amounts of software and other intangibles at the beginning and end of 2024 and 2023 is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	22,189,551	11,818,605
Additions	5,183,601	18,675,188
Amortization during the year	(15,393,592)	(8,304,242)
Balance at end of year	<u>11,979,560</u>	<u>22,189,551</u>

The amortization of the software and other intangibles for 2024 and 2023 is presented as part of Occupancy and Equipment-related Expenses in the statements of profit or loss.

15.4 Returned Checks and Other Cash Items

Returned checks and other cash items pertain to technical overdrawings arising from force posting in-clearing checks.

15.5 Others

Others include certain advances to suppliers, outstanding settlement accounts for transactions of other banks' card holders and other assets.

16. ALLOWANCE FOR IMPAIRMENT

The changes in the allowance for impairment are presented below.

<i>(Amounts in PHP)</i>	Notes	<u>2024</u>	<u>2023</u>
Balance at beginning of year:			
Loans and other receivables	11	2,195,855,889	2,047,289,294
Bank premises, furniture, fixtures and equipment	12	143,320,541	148,298,613
Investment properties	14	5,835,861	5,835,861
Prepayments and other resources	15	532,000	532,000
Investment Securities at FVOCI	9	(7)	-
		<u>2,345,544,284</u>	<u>2,201,955,768</u>
Impairment losses:			
Loans and other receivables		1,025,978,009	725,071,878
Bank premises, furniture, fixtures and equipment	12	2,415,195	-
Investment securities at FVOCI	9	(2,135)	(7)
		<u>1,028,391,069</u>	<u>725,071,871</u>
Write-off of loans and other receivables	4.3.5	(785,850,906)	(576,484,451)
Disposal of land	12	-	(4,978,072)
Adjustments		-	(20,832)
		<u>(785,850,906)</u>	<u>(581,483,355)</u>
Balance at end of year:			
Loans and other receivables	11	2,435,982,992	2,195,855,889
Bank premises, furniture, fixtures and equipment	12	145,735,736	143,320,541
Investment properties	14	5,835,861	5,835,861
Prepayments and other resources	15	532,000	532,000
Investment securities at FVOCI	9	(2,142)	(7)
		<u>2,588,084,447</u>	<u>2,345,544,284</u>

17. DEPOSIT LIABILITIES

As of December 31, deposit liabilities consist of the following:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Demand	1,249,128,811	1,277,885,707
Savings	59,007,004,372	45,504,843,232
Time	33,531,047,441	30,906,008,559
	<u>93,787,180,624</u>	<u>77,688,737,498</u>

Savings deposits have an annual interest rates ranging from 0.06% to 1.50% and from 0.13% to 1.50% for 2024 and 2023, respectively, while time deposits have interest rates ranging from 0.06% to 6.38% and from 0.13% to 6.75% per annum in 2024 and 2023, respectively.

Interest expense on deposit liabilities recognized during the year amounted to P1,846.5 million and P1,788.9 million in 2024 and 2023, respectively, and is presented as Interest Expense on Deposit Liabilities in the statements of profit or loss.

Deposit liabilities amounting to P537.6 million and P147.6 million as of December 31, 2024 and 2023 respectively, were held as collateral against certain loans [see Note 27(e)].

18. BILLS PAYABLE

The bills payable of the Bank amounting to P11,657.1 million and P14,901.1 million as of December 31, 2024 and 2023, respectively, represents borrowings from local banks.

The reconciliation of the carrying amount of bills payable is presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	14,901,139,639	6,533,045,833
Repayments	(11,362,330,063)	(10,830,309,071)
Additional borrowings	7,225,000,000	18,625,000,000
Interest expense	893,290,778	573,402,877
Balance at end of year	<u>11,657,100,354</u>	<u>14,901,139,639</u>

Annual interest rates on bills payable ranges from 5.75% to 6.43% and from 5.96% to 6.75% in December 31, 2024 and 2023, respectively, which will mature on various dates until 2027. Interest expense on bills payable recognized during the year amounted to P893.3 million and P573.4 million in 2024 and 2023, respectively, and is presented as Interest Expense on Bills Payable in the statements of profit or loss.

As of December 31, 2023, bills payable amounting to P4,009.9 million are secured by the Bank's loan receivables (see Note 11). Loan receivables used as collateral to the bills payable amounted to P3,098.1 million as of December 31, 2023, and are measured at amortized cost with average interest rate of 3.5% per month and original terms before maturity ranging form 6 months to 10 years. These loan receivables have been subjected to impairment testing in accordance with the Bank's ECL policy. All bills payable as of December 31, 2024 are unsecured.

19. ACCRUED EXPENSES AND OTHER LIABILITIES

The breakdown of this account follows:

<i>(Amounts in PHP)</i>	2024	2023
Accounts payable	1,014,869,060	841,738,304
Accrued expenses	543,339,081	529,941,230
Withholding tax payable	121,945,657	102,033,861
Manager's check	71,961,846	29,836,906
Other payables	254,335,884	267,715,603
	2,006,451,528	1,771,265,904

Accrued expenses include administrative expenses. Other payables include liabilities for unclaimed balances for long outstanding dormant accounts, cash overage from tellers, rental deposits for safety deposit boxes, advance rentals, security deposits, among others.

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

<i>(Amounts in PHP)</i>	Shares		Amount	
	2024	2023	2024	2023
Preferred stock – P10 par value				
Authorized – 30,000,000 shares				
Issued and outstanding	20,560	20,560	205,600	205,600
Common stock – P100 par value in 2024 and P10 par value in 2023				
Authorized – 55,000,000 shares in 2024 and 550,000,000 shares in 2023				
Issued and outstanding				
Balance at beginning of year	504,199,279	504,199,279	5,041,992,790	5,041,992,790
Issued during the year	45,800,721	-	458,007,210	-
Effect of stock split	(495,000,000)	-	-	-
Balance at end of year	55,000,000	504,199,279	5,500,000,000	5,041,992,790
Less subscription receivable				
Balance at beginning of year	-	14,163,281	-	141,632,810
Collections during the year	-	(14,163,281)	-	(141,632,810)
Balance at end of year	-	-	-	-
	55,020,560	504,219,839	5,500,205,600	5,042,198,390

The preferred shares pertain to Government Preferred Stock “A” and is issued only against government investment in the capital stock of the Bank. They shall have preference over the common stocks in the assets of the Bank in the event of liquidation, as provided in its AOI. Preferred stock “A” are non-voting and are not convertible to common shares.

As of December 31, 2024 and 2023, the Bank has 341 and 378 stockholders, respectively. Of the total number of stockholders, 126 and 269 beneficial stockholders own 100 or more shares each of the Bank's capital stock as of December 31, 2024 and 2023, respectively.

On January 8, 2021, the Bureau of Internal Revenue (BIR) Certificate Authorizing Registration was issued for the additional 5.00% shareholdings sold to Osmanthus in 2019, which is equivalent to 17,341,475 shares.

On August 18, 2022, BDO and Osmanthus subscribed and paid additional 53,505,727 and 9,442,187 common shares of the Bank, respectively, for a subscription price of P1,700.0 million and P300.0 million, respectively, resulting in an additional paid-in capital of P1,165.0 million and P205.6 million, respectively.

On October 28, 2022 BDO, subscribed and paid additional 80,258,590 common shares of the Bank for a subscription price of P2,550.0 million, resulting to an additional paid-in capital of P1,747.4 million. On the same date, Osmanthus subscribed additional 14,163,281 common shares for a subscription price of P450.0 million, which was subsequently paid on November 29, 2023.

On June 28, 2024, BDO subscribed and paid additional 38,930,613 common shares for a subscription price of P38.38. On July 25, 2024, Osmanthus also made an additional subscription of 6,870,108 common shares for the same subscription price and was paid on September 27, 2024. The combined subscription resulted in an additional paid-in capital of P1,299.9 million.

On June 30, 2021 and August 31, 2021 the BOD and the stockholders, respectively, approved the amendment of Article Seventh (a) of the Bank's articles of incorporation to effect a one-for-ten reverse stock split of the Bank's common shares which resulted in a decrease in the number of authorized shares from 550 million to 55 million common shares and an increase in par value of the shares from P10.00 to P100.00 per share, without affecting the authorized capital stock of the Bank of P5.8 billion. The SEC approved the amendment of the articles of incorporation on December 27, 2024.

20.2 Events After the End of the Reporting Period

On February 5, 2025, the BSP issued the Certificate of Authority to operate as thrift bank following the SEC approval on amended articles of incorporation on December 27, 2024.

On February 17, 2025, the Bank submitted an application for an increase in authorized capital stock with the SEC from P5.8 billion to P7.8 billion. The said increase was approved by the BOD and ratified by the stockholders on June 28, 2024 and August 30, 2024, respectively. This increase will represent an additional 20,000,000 common shares, each with a par value of P100.00 per share.

20.3 Other Reserves

The components and reconciliation of items of other reserves presented in the statements of changes in equity at their aggregate amount under Other Reserves account (see also Note 20.4), are shown below and in the succeeding page.

<i>(Amounts in PHP)</i>	Self-insurance	General Loan Loss Appropriation	Preferred Share Redemption	Total
Balance at January 1, 2024	43,689,253	508,249,678	205,600	552,144,531
General loan loss appropriation	-	212,125,283	-	212,125,283
Additional appropriation for self-insurance	4,368,925	-	-	4,368,925
Balance at December 31, 2024	48,058,178	720,374,961	205,600	768,638,739

<i>(Amounts in PHP)</i>	Self-insurance	General Loan Loss Appropriation	Preferred Share Redemption	Total
Balance at January 1, 2023	39,717,503	372,769,709	205,600	412,692,812
General loan loss appropriation	-	135,479,969	-	135,479,969
Additional appropriation for self-insurance	<u>3,971,750</u>	<u>-</u>	<u>-</u>	<u>3,971,750</u>
Balance at December 31, 2023	<u>43,689,253</u>	<u>508,249,678</u>	<u>205,600</u>	<u>552,144,531</u>

20.4 Revaluation Reserves

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

<i>(Amounts in PHP)</i>	Actuarial Unrealized Gain or Loss Financial Assets at FVOCI	Gain or Loss On Post- employment Defined Benefits Obligation	Total
Balance at January 1, 2024	(326,996,288)	(546,363,676)	(873,359,964)
Fair value gain on financial assets at FVOCI - net	49,950,112	-	49,950,112
Remeasurements of post-employment defined benefit obligation	<u>-</u>	<u>(145,749,317)</u>	<u>(145,749,317)</u>
Other comprehensive gain (loss) before tax	49,950,112	(145,749,317)	(95,799,205)
Tax income	<u>-</u>	<u>36,437,329</u>	<u>36,437,329</u>
Other comprehensive gain (loss) after tax	<u>49,950,112</u>	<u>(109,311,988)</u>	<u>(59,361,876)</u>
Balance at December 31, 2024	<u>(277,046,176)</u>	<u>(655,675,664)</u>	<u>(932,721,840)</u>
Balance at January 1, 2023	(507,645,625)	(346,239,486)	(853,885,111)
Fair value gain on financial assets at FVOCI - net	180,649,337	-	180,649,337
Remeasurements of post-employment defined benefit obligation	<u>-</u>	<u>(266,832,254)</u>	<u>(266,832,254)</u>
Other comprehensive gain (loss) before tax	180,649,337	(266,832,254)	(86,182,917)
Tax income	<u>-</u>	<u>66,708,064</u>	<u>66,708,064</u>
Other comprehensive gain (loss) after tax	<u>180,649,337</u>	<u>(200,124,190)</u>	<u>(19,474,853)</u>
Balance at December 31, 2023	<u>(326,996,288)</u>	<u>(546,363,676)</u>	<u>(873,359,964)</u>

20.5 Surplus

In compliance with the requirements of the BSP, Circular No. 1011, which requires financial institutions to set up GLLP equivalent to 1.00% of all outstanding 'Stage 1' on-balance sheet loan accounts, the Bank appropriated P720.4 million for GLLP representing the excess of the 1.00% required allowance of the BSP over the computed allowance for ECL on loans. In 2024 and 2023, the Bank appropriated its Surplus Free for GLLP amounting to P212.1 million and P135.5 million, respectively. This appropriation was recognized as part of Other Reserves account (see Note 20.2).

The Bank also appropriated additional self-insurance amounting to P4.4 million and P4.0 million in 2024 and 2023, respectively.

In compliance with the Manual of Regulation for Banks (MORB), a portion of the Bank's surplus corresponding to the accumulated balance of deferred income tax amounting to P147.4 million as of December 31, 2024 is not available for dividend declaration until realized by the Bank.

20.6 Capital Management and BSP Reporting Compliance

(a) Capital Management and Regulatory Capital

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

The MB, in its Resolution No. 1145 dated August 4, 2022, approved the new minimum capitalization requirements for banks (BSP Circular 1151). For rural banks with more than 10 branches, inclusive of head office, the required minimum capitalization is P200.0 million. Based on the foregoing, the Bank has complied with the BSP capitalization requirement.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- (i) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- (ii) total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI;
- (iii) deferred tax asset or liability;
- (iv) goodwill;
- (v) sinking fund for redemption of redeemable preferred shares; and,
- (vi) other regulatory deductions.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

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

- (i) Common Equity Tier 1 (CET1) of at least 6.00% of risk-weighted assets;
- (ii) Tier 1 Capital of at least 7.50% of risk-weighted assets;
- (iii) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.00% of risk-weighted assets; and,
- (iv) Capital Conservation Buffer of 2.50% of risk-weighted assets, comprised of CET1 Capital.

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

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the MB of the BSP.

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

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

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

<i>(Amounts in PHP)</i>	2024	2023
Tier 1 Capital		
CET 1	14,721,176	11,836,687
Additional Tier 1	206	206
	14,721,382	11,836,893
Tier 2 Capital	1,067,225	886,272
Total Regulatory Capital	15,788,607	12,723,165
Total Qualifying Capital	15,788,607	12,723,165
Total Risk-weighted assets	122,390,690	100,865,776
Capital ratios:		
CET 1 Ratio	12.03%	11.74%
Capital Conservation Buffer	6.03%	5.74%
Tier 1 Capital Ratio	12.03%	11.74%
Total Capital Adequacy Ratio	12.90%	12.61%

The Bank has fully adopted Basel 3 starting 2016.

(b) *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 3 leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which include on-balance sheet and securities financing transactions exposures and off-balance sheet items.

The Bank's Basel 3 leverage ratio as reported to the BSP are as follows (in thousands):

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Tier 1 Capital	14,721,382	11,836,893
Exposure measure	<u>124,056,734</u>	<u>107,988,865</u>
	<u>11.87%</u>	<u>10.96%</u>

(c) *Liquidity Coverage Ratio and Net Stable Funding Ratio*

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel 3 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 3 framework. This Circular requires the Bank to maintain available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflows for a 30-day period under stress conditions. The Bank has fully complied with the LCR minimum requirement of 100.00% coverage effective January 1, 2019.

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

The Bank's LCR as of December 31, 2024 and 2023 is analyzed below (in thousands).

	<u>2024</u>	<u>2023</u>
<u>Total stock of HQLA</u>	116.6%	135.1%
Expected Net Cash Outflows*		

**Includes Restricted Term Deposits and Deposits pledged as collateral or under hold-out arrangements*

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, measures the availability of medium and long-term stable funding to support illiquid assets and business activities on an on-going basis. It is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the Bank's liquidity profile.

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

The Bank's Basel III NSFR as of December 31, 2024 and 2023 are summarized below (in thousands).

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Available stable funding	97,386,513	81,547,211
Required stable funding	89,595,350	76,071,515
	109%	107%

21. RELATED PARTY TRANSACTIONS

The Bank's related parties include the Parent Bank, its DOSRI and others as described below and in the succeeding pages. None of the transactions incorporates special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash.

Related Party Category	Note	Amount of Transactions		Outstanding Balance	
		2024	2023	2024	2023
<i>(Amounts in PHP)</i>					
Parent					
Due from other banks	21.1	(92,598,449)	120,390,297	1,734,528,623	1,827,127,072
Interest income on due from other banks	21.1	1,004,588	906,620	-	-
Right-of-use asset	21.2	(14,988,876)	8,382,993	15,182,662	30,171,538
Lease liabilities	21.2	(15,075,706)	(14,218,366)	16,260,699	31,336,405
Service fee	21.3	380,643,498	245,172,497	-	-
Bills payable	21.4	(800,000,000)	1,704,066,667	-	800,000,000
Interest expense on bills payable	21.4	92,984,514	92,203,472	-	1,500,000
Related parties under common ownership					
Due from other banks	21.1	2,507,602	751,265,743	754,785,879	752,278,277
Interest income on due from other banks	21.1	15,034,789	13,379,246	-	-
Deposits	21.1	223,002,316	2,615	226,023,396	3,021,080
Interest expense on deposits	21.1	2,616,649	2,615	-	-
Investment securities at FVOCI	21.5	(99,830,055)	1,564,428	-	99,830,055
Interest income on investments	21.5	3,716,156	5,757,649	-	-
Right-of-use asset	21.2	(2,993,079)	(5,846,390)	5,799,318	8,792,397
Lease liabilities	21.2	(2,970,325)	(6,634,770)	6,763,402	9,733,727
Directors					
Deposits	21.1	10,936,432	8,019,439	103,292,237	92,355,805
Officers					
Deposits	21.1	(690,102)	(4,828,568)	82,507	772,609
DOSRI					
Interest expense on deposits	21.1	7,322,164	3,920,168	-	-
Key management personnel					
Compensation and benefits	21.6	197,202,000	175,683,000	-	-
Retirement plan	21.7	762,543,584	1,046,817,914	3,875,058,059	3,113,514,475

21.1 Deposits

In the ordinary course of business, the Bank has deposit transactions with the Parent Bank, related parties under common ownership, and its DOSRI. Under the Bank's policy, these transactions are made substantially on the same terms and conditions as with other individuals and businesses of comparable risks.

Due from other banks include deposits with the Parent Bank and CBC, a related party under common ownership, amounting to P1,737.5 million and P1,828.4 million as of December 31, 2024 and 2023, respectively. Interest rate for these due from other banks ranges from 0.13% to 4.25% per annum in 2024 and 2023. Interest income on these deposits with other banks amounted to P16.0 million and P14.3 million in 2024 and 2023, respectively, which is presented as part of Interest Income on Deposits with Other Banks in the statements of profit or loss.

The total deposits from related parties under common ownership and DOSRI have outstanding balance of P329.1 million and P96.1 million as of December 31, 2024 and 2023, respectively. Interest rates for these deposit liabilities range from 0.12% to 5.88% per annum in 2024 and 2023. Interest expense on these deposits amounted to P9.9 million and P3.9 million in 2024 and 2023, respectively, which is presented as part of the interest expense on deposit liabilities in the statement of profit or loss.

21.2 Leases

The Bank, as a lessee, recognized right-of-use assets related to lease of space from the Parent Bank and a related party under common ownership for its branch operations, amounting to P21.0 million and P39.0 million as of December 31, 2024 and 2023, respectively, which are presented as part of Right-of-Use Assets in the Bank's statement of financial position (see Note 13). Depreciation of the right-of-use assets arising from this transaction, amounting to P12.9 million and P16.1 million in 2024 and 2023, respectively, is presented as part of Occupancy and Equipment-related Expenses in the statements of profit or loss.

The interest expense on lease liability, which amounted to P2.1 million and P3.3 million in 2024 and 2023, respectively, is included as part of Interest Expense on Lease Liabilities in the statements of profit or loss. The outstanding balance of these transactions amounted to P23.0 million and P41.1 million as of December 31, 2024 and 2023, respectively, and is included as part of Lease Liabilities in the statements of financial position.

21.3 Service Line Agreement with the Parent Bank

The Bank engaged the Parent Bank, under a service agreement to obtain support such as maintenance, administration of properties/assets, management, supplies procurement, facilities management, accounting functions, loan documentation, human resources management, information technology needs, internal audit, remittance transactions support, legal assistance on all loan and/or property/asset-related litigation, credit investigation services, security services and investigation requirements, and assistance on all tax-related issues. Starting in 2022, additional services were outsourced to the Parent Bank including loan operations and administration services, safekeeping/custodianship of securities and collateral documents, central reconciliation services, records warehousing and vendor management, check clearing services, contact center services, remittance operations, transaction processing and adjustment services, cash services, reconciliation and settlement services, documentation and enrollment of Cash Management Service clients, fraud management, and corporate secretarial services.

The service agreement shall continue to be in force unless terminated by either party through a written notice of either party at least 30 calendar days prior to the date intended for termination. The services fees are payable in cash at the beginning of each month 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 Bank to the Parent Bank. The total service fees are presented as part of Fees and Commissions under Other Operating Expenses in the statements of profit or loss. The total amount incurred from these transactions for the year 2024 and 2023 amounted to P380.6 million and P245.2 million, respectively.

In 2022, the Bank also entered into several service agreements with the Parent Bank that will cover the fees and charges that each bank will be charging the other, at prevailing market rates, in order for the parent to continue operating and managing the ATMs without charging any fees to Bank's cardholders.

21.4 Bills Payable

The Bank avails its credit line from the Parent Bank for loan funding purposes. In 2024 and 2023, the amount drawn from its credit line with the Parent Bank amounted to P3,200.0 million and P800.0 million, respectively. Annual interest rates range from 6.50% to 6.75% in 2024 and 6.00% to 6.75% in 2023, and are payable monthly, and with tenors ranging from 30 days to 1 year.

The interest expense on bills payable, which amounted to P93.0 million and P92.2 million in 2024 and 2023, respectively, is included as part of Interest Expense on Bills Payable in the statements of profit or loss. The outstanding balance of these transactions amounted to P800.0 million as of December 31, 2023 (nil as of December 31, 2024), and is included as part of Bills Payable in the statements of financial position (see Note 18).

21.5 Investment Securities at FVOCI

The Bank acquires private-issued security from SM Prime Holdings to earn interest income and realize trading gains (see Note 9).

As of December 31, 2024 and 2023, the outstanding investment from SM Prime Holding have a coupon rate of nil and 5.74%, respectively, and is presented as part of Investment Securities in FVOCI in the statements of financial position.

In 2024 and 2023, interest income earned from investment from SM Prime Holdings amounted to P3.7 million and P5.8 million, respectively, and is presented as part of Interest Income on Investments Securities in the statements of profit or loss.

21.6 Key Management Personnel Compensations

The compensations of key management personnel are broken down as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Short-term benefits	175,666,000	156,547,000
Post-employment benefits	21,536,000	19,136,000
	<u>197,202,000</u>	<u>175,683,000</u>

These are presented as part of Compensation and employee benefits under Other Operating Expenses in the statements of profit or loss (see Note 23.1).

21.7 Retirement Plan

The Bank's multi-employer retirement fund for its defined post-employment plan is administered and managed by the trustee department of BDO. The trustee department of BDO invests in certain debt and equity investments which includes financial instruments of BDO and Dominion Holdings Inc. The fair value and the composition of the plan assets as of December 31, 2024 and 2023 are presented in Note 23.2.

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

The details of the contributions of the Bank and benefits paid out by the plan are presented in Note 23.2.

22. OTHER INCOME

This account is composed of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Recoveries from accounts written off		68,658,539	59,795,573
Income from disposal of BPFPE	12	5,373,908	6,038,403
Rental income		9,251,685	7,593,642
Income from disposal of investment properties	14	255,236	1,196,196
Others		10,820,627	7,168,397
		<u>94,359,995</u>	<u>81,792,211</u>

Others pertain to interbranch transactions, Deposit Pick-Up, utility bills payment charges, sale of automated teller machine jackets and lost passbook replacement fees.

23. EMPLOYEE BENEFITS

23.1 Compensation and Employee Benefits

Expenses recognized for compensation and employee benefits are presented below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Short-term employee benefits		4,101,255,635	3,472,473,111
Post-employment defined benefit	23.2	354,289,406	310,636,815
		<u>4,455,545,041</u>	<u>3,783,109,926</u>

There are no outstanding short-term employee benefits as of December 31, 2024 and 2023.

23.2 Post-employment Defined Benefit Plan

(a) *Characteristics of the Defined Benefit Plan*

The Bank maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Bank. The trustee bank managed the fund in coordination with the Bank's Retirement Plan Committee who acts in the best interest of the plan assets and is responsible for setting the investment policies. The plan covers all regular full-time employees. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service and late retirement after age 60 but not beyond 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 in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amounts of retirement benefit asset recognized in the statements of financial position (see Note 15) are determined as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Present value of the obligation	3,422,316,002	2,689,306,031
Fair value of plan assets	(3,875,058,059)	(3,113,514,475)
	452,742,057	424,208,444
Effect of ceiling asset	(26,675,079)	(31,918,999)
Retirement benefit asset	<u>426,066,978</u>	<u>392,289,445</u>

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

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	2,689,306,031	2,066,696,561
Current service cost	354,289,406	310,636,815
Interest expense	180,856,476	163,858,542
Benefits paid	(117,138,320)	(116,853,990)
Transfer to/(from) the plan	22,052,696	(7,744,052)
Remeasurements:		
Actuarial losses		
arising from:		
Changes in financial		
assumptions	213,087,042	192,817,154
Experience adjustments	79,862,671	48,166,023
Changes in demographic		
assumptions	-	31,728,978
Balance at end of year	<u>3,422,316,002</u>	<u>2,689,306,031</u>

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

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	3,113,514,475	2,066,696,561
Contributions to the plan	487,837,123	944,881,961
Interest income	229,044,404	188,735,095
Benefits paid	(117,138,320)	(116,853,990)
Gain on plan assets (excluding amounts included in net interest)	139,747,681	37,798,900
Transfer to/(from) the plan	<u>22,052,696</u>	<u>(7,744,052)</u>
Balance at end of year	<u>3,875,058,059</u>	<u>3,113,514,475</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Debt securities:		
Government bonds	2,514,611,649	1,876,528,522
Corporate bonds	488,977,952	622,409,931
Unit investment trust funds	412,367,796	295,385,832
Equity securities	422,565,869	275,450,510
Loans and other receivables	5,622,863	15,528,919
Cash and cash equivalents	5,699,145	3,941,209
Other properties	<u>25,212,785</u>	<u>24,269,552</u>
	<u>3,875,058,059</u>	<u>3,113,514,475</u>

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The plan assets earned a return of P368.8 million in 2024 and incurred a return of P226.5 million in 2023.

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

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
<i>Reported in profit or loss:</i>		
Current service cost	354,289,406	310,636,815
Net interest income	<u>(45,979,133)</u>	<u>(24,876,553)</u>
	<u>308,310,273</u>	<u>285,760,262</u>

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
<i>Reported in other comprehensive income:</i>		
Gain on plan assets*	139,747,681	37,798,900
Actuarial gains arising from:		
Changes in financial assumptions	(213,087,042)	(192,817,154)
Experience adjustments	(79,862,671)	(48,166,023)
Changes in the effect of asset ceiling	7,452,715	(31,918,999)
Changes in demographic Assumptions	<u>-</u>	<u>(31,728,978)</u>
	<u>(145,749,317)</u>	<u>(266,832,254)</u>

**Excluding amounts included in net interest expense (income).*

Current and past service costs are allocated and presented in the statements of profit or loss as part of Compensation and employee benefits under Other Operating Expenses (see Note 23.1). Net interest cost (income) on post-employment defined benefit plan is presented under Interest Expense (Income) in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2024</u>	<u>2023</u>
Discount rates	6.1%	6.9%
Expected rate of salary increases	1.0% - 13.0%	1.0% - 13.0%

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 25.0 years both for male and female.

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 to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are shown below and in the succeeding page.

(i) *Sensitivity Analysis*

The table shown below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2024 and 2023:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<i>(Amounts in PHP)</i>			
<u>December 31, 2024</u>			
Discount rate	+/- 1.00%	(425,256,637)	514,903,489
Salary growth rate	+/- 1.00%	493,007,731	(417,533,655)
<u>December 31, 2023</u>			
Discount rate	+/- 1.00%	(327,244,065)	395,662,539
Salary growth rate	+/- 1.00%	381,241,912	(322,962,928)

The sensitivity analysis above is based on a change in an assumption, while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

(iii) *Funding Arrangements and Expected Contributions*

The Bank is not required to pre-fund the future defined benefit payable under the retirement plan before it becomes due. For this reason, the amount and timing of contributions to the retirement fund are at the Bank's discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Bank to the retirement fund.

The plan is currently fully funded based on the latest actuarial valuation.

The maturity profile of undiscounted expected benefit payments from the plan within ten years as of December 31, 2024 and 2023 follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Within one year	214,577,095	188,912,623
More than one year to five years	1,134,345,851	954,252,664
More than five years to ten years	<u>2,407,665,388</u>	<u>1,972,973,403</u>
	<u>3,756,588,334</u>	<u>3,116,138,690</u>

The Bank expects to pay P443.1 million as contributions to retirement benefit plans in 2025.

The weighted average duration of the defined benefit obligation at the end of the year is 15.9 years.

24. CURRENT AND DEFERRED TAXES

The components of tax expense (income) as reported in profit or loss and other comprehensive income are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
<i>Reported in profit or loss:</i>		
Current tax expense:		
RCIT at 25%	394,949,385	273,955,820
Final tax at 20%	<u>118,458,974</u>	<u>113,703,652</u>
	<u>513,408,359</u>	387,659,472
Deferred tax expense:		
Origination and reversal of temporary differences	<u>232,065,471</u>	<u>161,936,636</u>
	<u>745,473,830</u>	<u>549,596,108</u>
<i>Reported in other comprehensive income:</i>		
Deferred tax income relating to origination and reversal of temporary differences	<u>(36,437,329)</u>	<u>(66,708,064)</u>

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax income reported in profit or loss is as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Tax on pretax income at 25%	484,428,784	358,491,426
Adjustment for income subjected to lower income tax rate	(33,433,215)	(27,750,674)
Tax effects of:		
Unrecognized deferred tax asset on impairment of financial assets	257,097,767	181,267,968
Non-deductible interest expense	30,378,438	28,290,865
Non-deductible other expenses	7,048,219	9,302,239
Others	<u>(46,163)</u>	<u>(5,716)</u>
Tax expense	<u>745,473,830</u>	<u>549,596,108</u>

The deferred tax assets relate to the following as of December 31, 2024 and 2023:

<i>(Amounts in PHP)</i>	Statements of Financial Position		Profit or Loss		Comprehensive Income	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Post-employment defined benefit plan	147,419,465	271,212,432	(160,230,296)	(17,815,523)	36,437,329	66,708,064
Allowance for impairment	-	71,835,175	(71,835,175)	(144,121,113)	-	-
Deferred tax assets	<u>147,419,465</u>	<u>343,047,607</u>				
Deferred tax income (expense)			<u>(232,065,471)</u>	<u>(161,936,636)</u>	<u>36,437,329</u>	<u>66,708,064</u>

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

In 2024 and 2023, the Bank is subject to the minimum corporate income tax (MCIT), which is computed at 2.0% and 1.5%, respectively, of gross income net of allowable deductions, respectively, as defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was reported in 2024 and 2023 as the Bank's RCIT was higher than MCIT in both years.

In 2024 and 2023, the Bank claimed itemized deductions in computing for its income tax due.

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Commitments

The Bank has no capital commitments as of December 31, 2024 and 2023.

25.2 Unused Lines of Credit

As of December 31, 2024 and 2023, the Bank has unused lines of credit amounting to P13.2 billion and P5.5 billion, respectively.

25.3 Credit Line Facilities

As of December 31, 2024 and 2023, the Bank has no commitment on credit line facilities.

25.4 Contingencies

There are contingent liabilities such as litigations and claims that arise in the normal course of the Bank's operations which are not reflected in the Bank's financial statements. The Bank's management is of the opinion that losses, if any, as of December 31, 2024 and 2023, from these claims will not have any material effect on the Bank's financial statements.

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

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

(Amounts in PHP)	2024			2023		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Resources						
Cash and other cash items	3,926,624,168	-	3,926,624,168	2,562,500,209	-	2,562,500,209
Due from BSP and other banks	6,239,160,429	-	6,239,160,429	9,230,770,179	-	9,230,770,179
Investment securities at FVOCI	-	4,887,461,587	4,887,461,587	100,302,150	4,838,150,611	4,938,452,761
Investment securities at amortized cost	1,047,126,855	3,979,878,128	5,027,004,983	-	3,982,216,624	3,982,216,624
Loans and other receivables - net	4,333,607,077	95,103,804,876	99,437,411,953	4,002,451,608	79,406,625,922	83,409,077,530
Bank premises, furniture, fixtures and equipment - net	-	2,213,259,547	2,213,259,547	-	2,094,635,005	2,094,635,005
Others - net	981,275,068	1,340,528,909	2,321,803,977	537,588,446	1,230,140,310	1,767,728,756
	<u>16,527,793,597</u>	<u>107,524,933,047</u>	<u>124,052,726,644</u>	<u>16,433,612,592</u>	<u>91,551,768,472</u>	<u>107,985,381,064</u>
Liabilities						
Deposit liabilities	92,158,373,020	1,628,807,604	93,787,180,624	75,777,519,851	1,911,217,647	77,688,737,498
Bills payable	2,203,881,701	9,453,218,653	11,657,100,354	5,672,354,361	9,228,785,278	14,901,139,639
Lease liabilities	224,231,546	581,025,542	805,257,088	198,384,762	510,594,895	708,979,657
Accrued expenses and other liabilities	2,007,706,898	80,311,534	2,088,018,432	1,782,737,889	79,392,379	1,862,130,268
	<u>96,594,193,165</u>	<u>11,743,363,333</u>	<u>108,337,556,498</u>	<u>83,430,996,863</u>	<u>11,729,990,199</u>	<u>95,160,987,062</u>

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BANGKO SENTRAL NG PILIPINAS

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements.

(a) Selected Financial Performance Indicators

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

	2024	2023
Return on average equity:		
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	8.39%	7.34%
Return on average assets:		
$\frac{\text{Net profit}}{\text{Average total resources}}$	1.11%	0.98%
Net interest margin:		
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	6.94%	6.72%

(b) *Capital Instruments Issued*

Summarized below are the capital instruments issued by the Bank as of the end of the reporting periods. The significant information related to each instrument are described in more detail in the respective note.

<u>Type of Instrument</u> <i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Common share (CET 1)	20.1	5,500,000,000	5,041,992,790
Preferred share (AT 1)	20.1	205,600	205,600

(c) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers' portfolio (gross of allowance for ECL) is as presented below:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>%</u>	<u>2023</u>	<u>%</u>
Consumption	72,422,369,369	71.91%	63,954,934,689	75.53%
Agricultural	20,232,559,131	20.09%	14,635,568,905	17.29%
Wholesale and retail trade	6,118,302,218	6.07%	4,818,546,224	5.69%
Manufacturing	506,757,907	0.50%	455,452,812	0.54%
Accommodation and food storage	258,824,656	0.26%	100,852,697	0.12%
Construction	193,656,283	0.19%	101,858,714	0.12%
Transportation and storage	88,160,415	0.09%	48,275,882	0.06%
Human health and social work activities	74,630,272	0.07%	99,624,766	0.12%
Administrative and support services	57,121,522	0.06%	46,533,562	0.05%
Financial and insurance activities	35,343,888	0.04%	5,781,910	0.01%
Education	33,473,302	0.03%	23,907,689	0.03%
Professional and technical services	30,332,445	0.03%	19,324,664	0.02%
Mining and quarrying	23,233,151	0.02%	23,511,338	0.03%
Information and communication	20,965,770	0.02%	16,305,333	0.02%
Real estate, rental and business activities	13,861,753	0.01%	18,190,759	0.02%
Water supply, sewerage, waste management and remediation activities	5,326,912	0.01%	3,765,866	0.00%
Electricity, gas, and aircon supply	4,509,935	0.00%	3,384,253	0.00%
Arts, entertainment and recreation	3,266,014	0.00%	2,882,744	0.00%
Other service activities	593,414,917	0.60%	292,152,508	0.35%
	100,716,109,860	100.00%	84,670,855,315	100.00%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30.00% of the total loan portfolio plus the outstanding interbank loans receivable or 10.00% of Tier 1 capital.

As of December 31, 2024 and 2023, 10.00% of Tier 1 capital amounted to P1.5 billion and P1.2 billion, respectively, and the table below shows the three industry groups exceeding this level (amount in thousands).

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Consumption	72,422,369	63,954,935
Agricultural	20,232,559	14,635,569
Wholesale and retail trade	6,118,302	4,818,546

Management believes that the Bank's loan concentration in consumption as of December 31, 2024 and 2023 is justifiable considering that the main loan product of the Bank is Salary Loans with individuals as target clientele.

(d) *Credit Status of Loans*

The breakdown of total loans (receivable from customers) as to status is shown below.

<i>(Amounts in PHP)</i>	2024		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Consumer	97,703,778,281	2,868,180,750	100,571,959,031
Corporate	142,650,827	1,500,002	144,150,829
	<u>97,846,429,108</u>	<u>2,869,680,752</u>	<u>100,716,109,860</u>
Allowance for ECL	(437,400,078)	(1,817,771,018)	(2,255,171,096)
Net carrying amount	<u>97,409,029,030</u>	<u>1,051,909,734</u>	<u>98,460,938,764</u>
	2023		
<i>(Amounts in PHP)</i>	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Consumer	82,116,708,207	2,342,824,487	84,459,532,694
Corporate	209,822,619	1,500,002	211,322,621
	<u>82,326,530,826</u>	<u>2,344,324,489</u>	<u>84,670,855,315</u>
Allowance for ECL	(469,083,500)	(1,550,628,592)	(2,019,712,092)
Net carrying amount	<u>81,857,447,326</u>	<u>793,695,897</u>	<u>82,651,143,223</u>

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

The breakdown of total loans (receivable from customers, net of unearned discounts) as to security are presented below:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Secured			
Real estate mortgage		60,304,105	535,995,359
Deposit hold-out	5.6, 17	438,821,499	132,684,594
Other securities		407,812,703	108,450,077
		<u>906,938,307</u>	<u>777,130,030</u>
Unsecured		<u>99,809,171,553</u>	<u>83,893,725,285</u>
		<u>100,716,109,860</u>	<u>84,670,855,315</u>

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRI, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

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

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2024	2023	2024	2023
Total outstanding loans	-	-	-	-
% of loans to total loan portfolio	0.00%	0.00%	0.00%	0.00%
% of unsecured loans to total loans	0.00%	0.00%	0.00%	0.00%
% of past due loans to total loans	0.00%	0.00%	0.00%	0.00%
% of non-performing loans to total loans	0.00%	0.00%	0.00%	0.00%

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

Aggregate amount of secured liabilities as of December 31, 2024 and 2023 amounted to nil and P4,009.9 million, respectively, while aggregate amount of resources pledged as security as of December 31, 2024 and 2023 amounted to nil and P3,098.1 million, respectively.

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

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of the end of reporting period is presented below.

(Amounts in PHP)	2024	2023
Late deposits/payments received	40,075,260	34,837,358
Other contingent accounts	190,460	144,308

28. SUPPLEMENTAL INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages are the supplementary information required by the BIR under Revenue Regulation (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under Accounting Standards.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) Gross Receipts Tax (GRT)

In lieu of the value-added tax, the Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Section 121.2 of the Tax Code.

During 2024, the Bank paid GRT amounting to P833,852,044 of which, P216,420,179 is accrued and is part of Accrued Expenses under Accrued Expenses and Other Liabilities in the 2024 statement of financial position. The amount is presented as part of Taxes and Licenses under Operating Expenses in the 2024 statement of profit or loss.

(b) Taxes on Importation

The Bank does not have any landed cost, customs duties and tariff fees in 2024 since it does not have any importation during the year.

(c) Excise Tax

The Bank did not have any transactions in 2024, which are subject to excise tax.

(d) Documentary Stamp Tax (DST)

In general, the Bank's DST transactions arise from the execution of debt instruments, time deposits and issuance of new shares.

For the year ended December 31, 2024, the composition of DST is as follows:

<i>(Amounts in PHP)</i>	
Debt instruments	518,326,915
Time deposits	228,598,549
Checks	13,047,300
Others	<u>5,372,989</u>
	<u>765,345,753</u>

On the other hand, the DST amounting to P518,326,915 pertaining to the Bank's loan releases are shouldered by its corresponding borrowers. However, the remittance is done by the Bank. Total DST remittances for the year ended December 31, 2024 amounted to P765,797,546. As of December 31, 2024, the Bank has an outstanding prepaid eDST load amounting to P57,546,565. The DST amounting to P278,070,697 was shouldered by the Bank.

The DST shouldered by the Bank are recorded as an expense and is included in the taxes and licenses under Other Operating Expenses in the 2024 statement of profit or loss.

(e) *Taxes and Licenses*

The details of taxes and licenses for the year ended December 31, 2024 are as follows:

<i>(Amounts in PHP)</i>	
GRT	833,852,044
DST	278,070,697
Business permits	56,471,105
Deficiency taxes	16,603,837
Real property tax	8,652,939
FBT	1,759,677
Miscellaneous	<u>1,011,418</u>
	<u>1,196,421,717</u>

The amount of taxes and licenses are included as part of Other Operating Expenses in the 2024 statement of profit or loss.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2024 are shown below.

<i>(Amounts in PHP)</i>	
Final	344,392,886
Compensation and employee benefits	359,856,067
Expanded	77,860,653
Fringe benefit	<u>1,759,677</u>
	<u>783,869,283</u>

(g) *Deficiency Tax Assessments and Tax Cases*

In 2024, the Bank paid deficiency taxes on income tax, expanded and final withholding tax, documentary stamp tax, and fringe benefit tax for taxable years 2021 and 2022 amounting to P8,082,969 and P8,520,868, respectively, which includes interest and charges amounting to P2,652,139. The amount is recorded as part of Taxes and Licenses under Other Operating Expenses in the 2024 statement of profit or loss.

As of December 31, 2024, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.



Report of Independent Auditors to Accompany Supplementary Schedules Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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The Board of Directors and the Stockholders
BDO Network Bank, Inc.
(A Subsidiary of BDO Unibank, Inc.)
BDONB Center, Km. 9, Sasa, Davao City

We have audited in accordance with the Philippine Standards on Auditing, the financial statements BDO Network Bank, Inc. (the Bank) for the year ended December 31, 2024, on which we have rendered the attached report dated February 21, 2025. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see Table of Contents) are presented for the purpose of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). Such supplementary schedules are the responsibility of the Bank's management. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: **Yusoph A. Maute**
Partner

CPA Reg. No. 0140306
TIN 415-417-641
PTR No. 10465908, January 2, 2025, Makati City
BIR AN 08-002551-046-2023 (until January. 24, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-018 (until August. 27, 2027)

February 21, 2025

BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
SEC Supplementary Schedules
December 31, 2024

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Annex 68-D
BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
Schedule G - Reconciliation of Retained Earnings Available for Dividend Declaration
FOR THE YEAR ENDED DECEMBER 31, 2024

Unappropriated Retained Earnings at Beginning of Year		P 2,338,737,657
Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earning Appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others	-	
	-	-
Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	-	
Retained Earnings appropriated during the reporting period	(216,494,208)	
Effect of restatements or prior-period adjustments	-	
Others	-	
	-	(216,494,208)
Unappropriated Retained Earnings at Beginning of Year, as adjusted		2,122,243,449
Add/Less: Net Income (Loss) for the Current Year		1,192,241,308
Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as result of certain transactions accounted for under the PFRS	-	
Sub-total	-	-
Add: <u>Category C.2:</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	-	
Realized fair value gain of investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	-	-
Add: <u>Category C.3:</u> Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instrument at FVTPL	-	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-	
Sub-total	-	1,192,241,308
Adjusted Net Income/Loss		1,192,241,308
Add: <u>Category D:</u> Non-actual lossess recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	-	
Sub-total	-	-
Add/ Less: <u>Category E:</u> Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others	-	
Sub-total	-	-
Add/ Less: <u>Category F:</u> Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others	-	
Sub-total	-	-
Unappropriated Retained Earnings Available for Dividend Distribution at End of Year		P 3,314,484,757

Annex 68-E
BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
Financial Soundness Indicators
DECEMBER 31, 2024

		Amount		Ratio	
		2024	2023	2024	2023
A) SOLVENCY RATIOS					
1	Solvency Ratio:	$\frac{\text{After Tax Comprehensive Income + Depreciation and Amortization}}{\text{Total Liabilities}}$	$\frac{1,715,594,671}{108,337,556,498}$	$\frac{1,403,125,018}{95,160,987,062}$	$\frac{1.6\%}{1.5\%}$
2	Debt-to-Equity Ratio:	$\frac{\text{Total Liabilities}}{\text{Equity}}$	$\frac{108,337,556,498}{15,715,170,146}$	$\frac{95,160,987,062}{12,824,394,002}$	$\frac{689.4\%}{742.0\%}$
B) RESOURCES TO EQUITY RATIO					
		$\frac{\text{Total Resources}}{\text{Equity}}$	$\frac{124,052,726,644}{15,715,170,146}$	$\frac{107,985,381,064}{12,824,394,002}$	$\frac{789.4\%}{842.0\%}$
C) INTEREST RATE COVERAGE RATIO					
		$\frac{\text{Interest Income on Loans}}{\text{Interest Expense on Deposit Liabilities and Bills Payable}}$	$\frac{9,625,736,398}{2,739,775,512}$	$\frac{7,896,679,414}{2,362,320,205}$	$\frac{351.3\%}{334.3\%}$
D) PROFITABILITY RATIOS					
1	Return on Resources:	$\frac{\text{Net Profit}}{\text{Average Resources}}$	$\frac{1,192,241,308}{105,641,262,207}$	$\frac{884,369,595}{97,607,589,417}$	$\frac{1.1\%}{0.9\%}$
2	Return on Equity:	$\frac{\text{Net Profit}}{\text{Average Equity}}$	$\frac{1,192,241,308}{13,612,334,703}$	$\frac{884,369,595}{12,166,946,631}$	$\frac{8.8\%}{7.3\%}$
3	Net Interest Margin:	$\frac{\text{Net Interest Income}}{\text{Average Earning Assets}}$	$\frac{7,483,517,922}{105,384,792,569}$	$\frac{6,067,258,800}{88,695,827,816}$	$\frac{7.1\%}{6.8\%}$
E) OTHER RATIOS					
1	Total Loans and Receivables - Net to Total Resources	$\frac{\text{Total Loans and Receivables - Net}}{\text{Total Resources}}$	$\frac{99,437,411,952}{124,052,726,644}$	$\frac{83,409,077,530}{107,985,381,064}$	$\frac{80.2\%}{77.2\%}$
2	Capital Assets (Bank Premises, Furniture, Fixtures and Equipment and Investment Property) to Total Resources	$\frac{\text{Bank Premises, Furniture, Fixtures and Equipment and Investment Property}}{\text{Total Resources}}$	$\frac{2,214,529,040}{124,052,726,644}$	$\frac{2,096,055,926}{107,985,381,064}$	$\frac{1.8\%}{1.9\%}$
3	DOSRI Loans Receivables to Total Loans and Receivables - Net	$\frac{\text{DOSRI Loans}}{\text{Total Loans and Receivables - Net}}$	$\frac{-}{99,437,411,952}$	$\frac{-}{83,409,077,530}$	$\frac{0.0\%}{0.0\%}$
4	DOSRI Loans Receivables to Equity	$\frac{\text{DOSRI Loans}}{\text{Equity}}$	$\frac{-}{15,715,170,146}$	$\frac{-}{12,824,394,002}$	$\frac{0.0\%}{0.0\%}$

BDO NETWORK BANK, INC.
(A Subsidiary of BDO Unibank, Inc.)
Schedule A - Financial Assets
DECEMBER 31, 2024

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued (should tally with AIR)
<i>Investment securities at FVOCI</i>				
Government Debt Securites				
PIID2032C014	P 1,000,000	P 989,625	P 989,625	P 5,092
PIID1526J019	50,000,000	50,668,691	50,668,691	500,000
PIID0527L140	2,000,000,000	1,943,163,891	1,943,163,891	5,961,112
PIBD2027I140	3,222,000	3,497,548	3,497,548	71,636
PIBD0728D649	1,900,000,000	1,770,310,163	1,770,310,163	10,713,888
PIBD0728H654	517,350,000	485,685,559	485,685,559	6,078,862
PIBD1027E617	220,000,000	215,116,129	215,116,129	1,323,667
PIBD1031G662	300,000,000	271,998,694	271,998,694	4,320,000
PIBD0526D772	150,000,000	146,031,287	146,031,287	945,000
Total Investment securities at FVOCI	P 5,141,572,000	P 4,887,461,587	P 4,887,461,587	P 29,919,257
<i>Investment securities at amortized cost</i>				
Government Debt Securites				
PIBD0526D772	P 350,000,000	P 349,800,903	P 349,800,903	P 2,205,000
PIBD2026A122	100,000,000	108,344,785	108,344,785	3,758,333
PH0000058000	400,000,000	399,906,932	399,906,932	-
PH0000058174	300,000,000	298,149,951	298,149,951	-
PH0000058034	350,000,000	349,069,972	349,069,972	-
PIID0527L140	2,011,350,000	2,017,344,940	2,017,344,940	5,994,941
PIID0527C159	1,500,000,000	1,504,387,500	1,504,387,500	4,387,500
Total Investment securities at amortized cost	P 5,011,350,000	P 5,027,004,983	P 5,027,004,983	P 16,345,774
TOTAL	P 10,152,922,000	P 9,914,466,570	P 9,914,466,570	P 46,265,031

BDO NETWORK BANK, INC
(A Subsidiary of BDO Unibank, Inc.)
Schedule D - Intangible Assets - Other Assets
DECEMBER 31, 2024

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deductions</i>			<i>Ending balance</i>
			<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Prepayments and Other Resources						
Software and other intangibles - net	P 22,189,551	P 5,183,602	(P 8,304,242)	P -	P -	P 19,068,911
Goodwill	114,013,933	-	-	-	-	114,013,933
Total	P 136,203,484	P 5,183,602	(P 8,304,242)	P -	P -	P 133,082,844

BDO NETWORK BANK, INC
(A Subsidiary of BDO Unibank, Inc.)
Schedule E - Long Term Debt
DECEMBER 31, 2024

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Interest Rate</i>	<i>Maturity Date</i>
Bills payable					
<i>Peso-denominated</i>					
Development Bank of the Philippines	P 753,939,583		P 753,939,583	6.10%	March 31, 2026
Development Bank of the Philippines	326,431,806		326,431,806	6.10%	April 3, 2026
Development Bank of the Philippines	501,609,722		501,609,722	6.10%	April 10, 2026
Development Bank of the Philippines	351,423,333		351,423,333	6.10%	December 4, 2026
Development Bank of the Philippines	439,427,431		439,427,431	6.10%	June 4, 2027
Development Bank of the Philippines	851,360,000	851,360,000	-	6.40%	August 15, 2025
Security Bank Corporation	1,011,025,000		1,011,025,000	6.30%	January 27, 2026
Land Bank of the Philippines	1,206,215,667		1,206,215,667	6.43%	November 27, 2026
Land Bank of the Philippines	1,516,826,667		1,516,826,667	6.31%	October 27, 2026
Land Bank of the Philippines	1,013,194,444		1,013,194,444	6.25%	September 16, 2026
Land Bank of the Philippines	1,317,152,778		1,317,152,778	6.25%	October 16, 2026
Land Bank of the Philippines	1,015,972,222		1,015,972,222	6.25%	September 29, 2026
Land Bank of the Philippines	1,002,236,111	1,002,236,111	-	5.75%	July 11, 2025
Metropolitan Bank & Trust Company	350,285,590	350,285,590	-	5.88%	February 24, 2025
TOTAL	P 11,657,100,354	P 2,203,881,701	P 9,453,218,653		

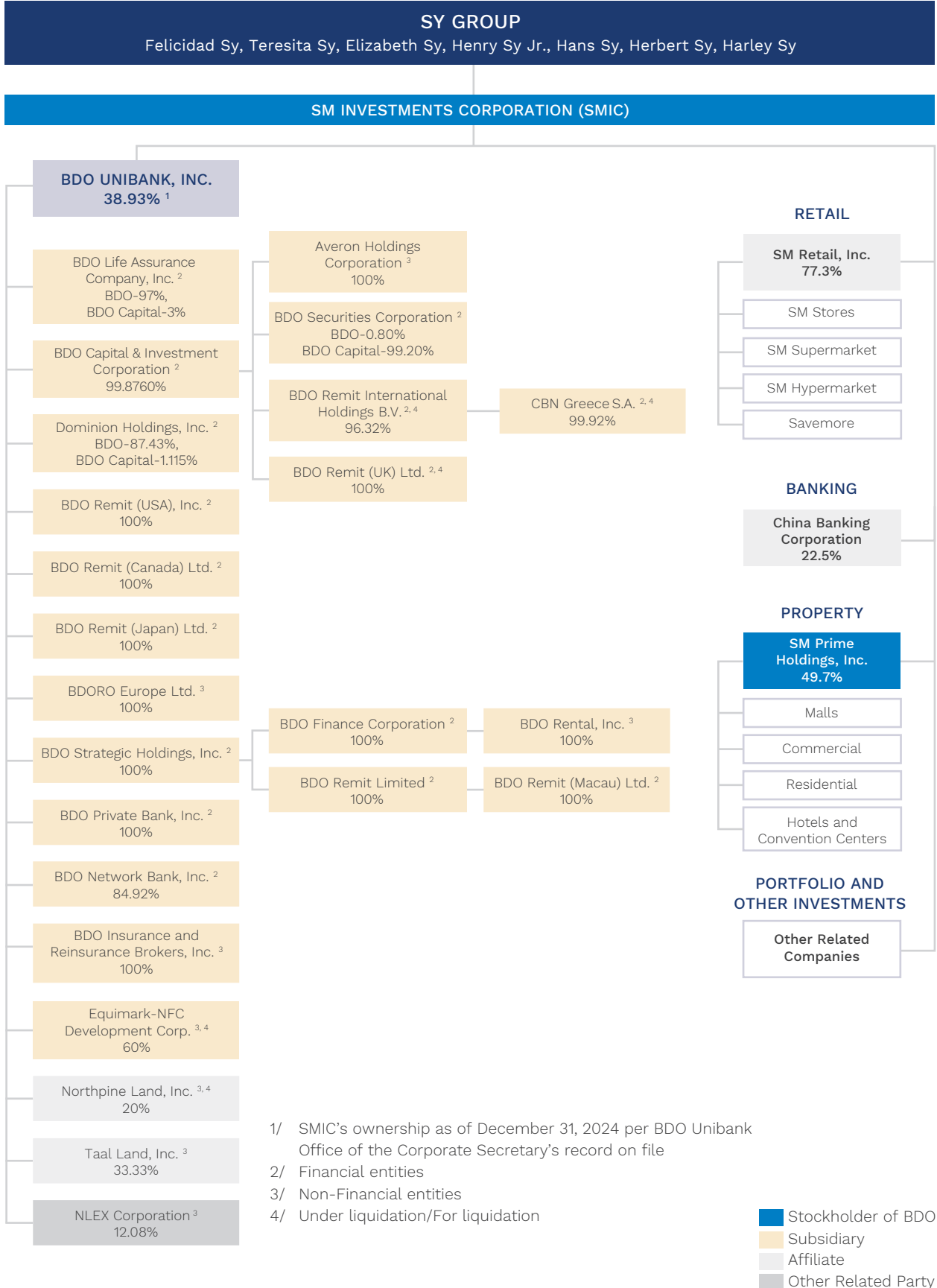
BDO NETWORK BANK, INC
(A Subsidiary of BDO Unibank, Inc.)
Schedule H - Capital Stock
DECEMBER 31, 2024

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Preferred stock - P10 par value						
Authorized shares	30,000,000					
Issued and outstanding shares		20,560	-	-	-	20,560
Common stock - P100 par value						
Authorized shares	55,000,000					
Issued and outstanding shares		55,000,000	-	54,413,720	9	586,271

BDO Conglomerate Structure

BDO Unibank, Inc. Group Map

As of December 31, 2024



BDO NETWORK BANK, INC.**MANAGEMENT REPORT****I. Audited Financial Statements**

The audited financial statements of BDO Network Bank, Inc. (“**BDONB**” or the “**Bank**”) for the years ended 31 December 2024 are incorporated herein by reference.

II. Information Concerning Disagreements with Accountants on Accounting and Financial Disclosure

The financial statements of the Bank for the years ended 31 December 2024 and 31 December 2023 have been audited by Punongbayan and Araullo (P & A), in accordance with generally accepted accounting principles. The Bank has not had any disagreements with any of its former or present accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which led to a change in external auditors and if not resolved to the satisfaction of any of these accountants, would have caused the latter to make reference to the subject matter of the disagreement in connection with its report.

III. Management’s Discussion and Analysis**Financial Performance**

In 2024, BDO Network Bank (BDONB) saw sustained growth in total assets and total deposits, reflecting our commitment to expanding our network and growing the balance sheet. Our continued efforts to increase accessibility and relevance to underserved communities played a key role in this growth, allowing us to reach more customers and strengthen financial inclusion.

Though margin pressures persisted due to high inflation and low investor confidence, we continued to bring relevant and meaningful banking closer to the people we serve. In response to market and operating conditions in 2024, we focused on improving sales productivity and process efficiency. We also added capital to sustain continued growth and network expansion.

In 2024, the Bank opened 73 new branches, bringing the total number of branches and loan offices to 569. We reached out to more people in remote areas, opening branches in locations with limited or no connectivity through the deployment of low orbit satellite internet. These efforts were also complemented by coordinated expansion of Cash Agad.

As a result, gross customer loans increased by 19% from P84.7 billion to P100.7 billion, and total assets increased by 15% from P108.0 billion to P124.1 billion. Due to the Bank’s accessibility and reliability, total deposits registered a 21% increase from P77.7 billion to P93.8 billion, while deposits in current accounts/savings accounts (CASA) grew 29% from P46.8 billion to P60.3 billion.

Along with the significant growth of assets and deposits in 2024, BDONB's net income increased 35% to P1.2 billion, compared to P884.4 million in 2023. Income from interest-generating activities increased 23% from P6.1 billion to P7.5 billion, while non-interest income grew 17% from P3.9 billion to P4.6 billion. Gross operating income rose by 21% from P10.0 billion to P12.0 billion, while operating expenses increased 16% from P7.8 billion to P9.1 billion.

BDONB remains committed to creating a significant and life-changing impact for the communities it serves by providing more accessible, reliable, and relevant banking solutions. Aside from offering reasonably priced credit, we provide a holistic banking relationship coupled with relevant savings, insurance, investments, and cash management solutions. We also cover markets that are underserved by infrastructure and beyond the reach of other financial institutions. We align our programs and initiatives, and work closely with BDO Foundation and SM Foundation, to foster financial inclusiveness, promote health and wellness initiatives, and support efforts to improve the quality of education. In doing these, we strive to build stronger, more resilient communities for their long-term growth and prosperity.

Balance Sheet – 2024 vs. 2023

- a) Cash and Other Cash Items grew by 53% against previous year to P3.9 billion.
- b) Due from Other Local Banks declined by 24% to only P6.1 billion.
- c) Investment Securities increased by 11% to P 9.9 billion.
- d) Loans and Other Receivables, on a net basis, grew by 19% to P99.4 billion.
- e) Bank Premises, Furniture, Fixtures and equipment increased by 6% to P2.2 billion due to bank expansion and improvements.
- f) Investment Properties decreased by 11% to only P1.3 million due to various disposals.
- g) Total resources grew by 15% to P124.1 billion primarily attributable to fast growth in Loans.
- h) Total Deposits increased by 21% to P93.8 billion attributable to the 30% growth in low-cost Demand or Current and Savings (CASA) deposits and 8% growth in Time Deposits (TD).
- i) Bills Payable decreased by 22% to only P11.7 billion.
- j) Other Liabilities increased by 13% to P2.9 billion attributed by the P173.1 million increase in Accounts Payable and P96.3 million increase in Finance Lease Payment Payable.
- k) Total Equity grew by 23% to P15.7 billion from net earnings during the period.

Comprehensive Income – For the years ended December 31, 2024 vs. 2023

From a Net Income of P1.2 billion, Total Comprehensive Income for the period ending December 2024 is registered at P1.1 billion after the P59.3 million comprehensive loss net of tax.

Key Performance Indicators – 2024 vs. 2023

SELECTED FINANCIAL RATIO	2024	2023	Inc./Dec)
Return on Ave. Equity	8.39%	7.34%	1.05%
Return on Ave. Assets	1.11%	0.98%	0.13%
Net Interest Margin	6.94%	6.27%	0.67%
Liquidity Ratio	12.13%	15.49%	-3.36%
Debt to Equity Ratio	689.38%	742.03%	-52.65%
Asset to Equity	789.38%	842.03%	-52.65%

- l) Return on Average Common Equity increased by 105bps to 8.39%.
- m) Return on Average Assets increased by 13bps to 1.11%.
- n) Net Interest Margin increased by 67bps to 6.94% due better loan mix and lower funding cost.
- o) Liquidity Ratio declined by 336bps to only 12.13%.
- p) Debt to Equity and Assets to Equity ratios both declined by 5,265bps to only 689.38% and 789.38%, respectively.
- q) Common Equity Tier 1(CET1), increased by 29bps to 12.03%
- r) Earnings per share registered at P2.17 for the period.

IV. Operational Highlights

A. Lending

BDONB’s gross customer loans grew by 19% in 2024, increasing from P84.7 billion to P100.7 billion. Non-performing loans remained steady at 2.8% in 2024 and 2023, while the non-performing loan cover decreased from 86.2% in 2023 to 78.6% in 2024.

The Bank maintained its growth in lending, reinforcing our mission to remain relevant and accessible to unserved and underserved communities. Our bond with customers grew stronger as BDONB’s convenient locations and exceptional customer service made us the preferred choice for their financial needs.

a) Salary Loans

Salary loans maintained steady growth, increasing by 18% in 2024 despite stiff competition and a fairly saturated market. Loan releases increased by 16% in 2024, while non-performing loans remained stable.

Our motivated and committed employees thrive in a competitive environment, showing customers that we continue to reach out and to meet them where they are. This personalized service helps our sales teams establish good relationships with our customers, which proves beneficial since they often refer new clients to us.

We continue our expansion in low saturation areas, while developing and launching new salary loan products to meet our customers' evolving needs. By expanding into underserved communities, we ensure that more people have access to essential financial resources. Whether through in-person assistance, digital banking options, or tailored financial support, we empower our customers and help them achieve their goals.

b) MSME Loans

In 2024, MSME loan bookings continued to grow, resulting in a 26% increase in our AR portfolio by the end of 2024. Bookings also significantly improved, registering a 29% increase in 2024.

Our success was driven by a strong commitment to people management, mentoring, and continuous training, ensuring that our teams are equipped with the skills and knowledge to excel. In 2024, we created a detailed Management Information System to further strengthen our capabilities using advanced analytics, enabling our people to make smarter decisions and enhance the customer experience.

We also focused on retraining all sales staff to improve their sales capabilities, technical skills, and knowledge on credit and policy matters. To standardize our activities, the group created a detailed sales playbook, which resulted in a substantial increase in loan bookings.

The MSME's customer experience is always at the heart of our digital initiatives, process improvements, and product development. We strive to make banking easy, accessible, and relevant to help them achieve their goals. We show our customers how additional capital can help them grow their business and support them every step of the way. To further financial inclusion, we are looking to reach out to more underserved communities, expand our product offerings, and explore partnerships with business organizations, dealerships, and distributorships.

B. Deposit-Taking

The Community Banking Network Group (CBNG) continued to expand its branch network in areas of active economic growth, ensuring greater access to financial services for unserved and underserved communities. In 2024, we opened 73 new branches in strategic locations, which enabled us to establish footholds in unbanked communities and helped grow our deposits and market share. By adopting the service facilities of our parent bank, we extended our services to our clients to help them manage their day-to-day business activities.

CBNG helped developing communities gain access to BDONB and BDO services. We offered products and services to respond to the needs of our customers. We also encouraged our clients to use available digital channels within BDONB for their convenience. With the increasing demand for added functionalities, we have been continuously working to adopt a more advanced technology that will improve our customers' experience. We continued to provide reliable

banking service to areas with challenges in internet infrastructure. We have remained online with the use of satellite connectivity, allowing us to support communities hit by natural calamities.

Given the market opportunities for the bank and to support expansion and profitability, we focused on deposit generation and loan referrals. As a result, we reached a new milestone of 21% growth for total deposits, from 77.7 billion in 2023 to P93.8 billion in 2024. Our total deposit volume is the top among rural banks. Despite high interest rates on deposits in 2024, we were able to grow our low-cost deposits by 29% compared to 2023.

To encourage new clients to open accounts, we organized community marketing activities and brought our services to places where people gather, such as covered courts and municipal halls. We also provided financial literacy and support to the community, encouraging them to avail of our banking services and grow their savings.

C. Products

In 2024, our unsecured loan portfolio reached Php 100 billion, reflecting a 19% increase compared to 2023. Salary loans grew by 18%, while Negosyante Loans saw a 26% growth. One of our standout achievements in 2024 was the launch of the Kabayan Loan for Overseas Filipino Workers (OFWs) and their beneficiaries, which experienced a remarkable ~10x growth.

The growth of our unsecured lending business was driven by a recovering, more stable economy. With improved loan growth and better repayment rates, we optimized the operations of our credit and collections teams to support this expansion in a cost-efficient manner.

A key initiative was the deployment of KolekAgad, a mobile app designed to streamline our field collections process. This simple yet powerful tool gives our collectors easy access to secured borrower information, enhancing their credibility and enabling better engagement during field visits and payment arrangement discussions. As a result, we saw significant improvements in field collection efficiency and effectiveness.

Additionally, we continued our efforts to cross-sell micro-insurance to our customers, providing them with affordable financial protection. For an annual fee of just P500, customers could access a hospital allowance of P300 per day and up to P600K in accident insurance. In 2024, we successfully cross-sold approximately 100,000 units—three times the volume of 2023.

To accelerate financial inclusion in the communities we serve, we are enhancing our digital banking solutions, leveraging BDO's robust IT and operational infrastructure. Soon, BDONB customers will be able to onboard BDO Pay, enabling them to seamlessly carry out digital banking transactions.

In the coming years, we will continue to focus on digitalization and diversification, aiming to serve even more customers and provide a broader range of financial solutions to the communities we serve.

Support and Delivery Systems

In 2024, BDONB added 73 branches and deployed 11 additional ATMs to reach even more underserved communities. We also saw a 20% growth in the number of our ATM cardholders.

For our remittance service, we provided an additional settlement cycle to improve the turnaround time in crediting the funds to beneficiary accounts. For debit card transactions, we completed integration to a Fraud Management System (Falcon) to enhance security, better protect our customers from fraudulent activities, and safeguard trust in our financial services.

Domestic remittance volumes increased by 29% in 2024, while the number of transactions increased by 30%. Credit to BDONB accounts remittance service via PESONet continues to increase in value and volume, reaching P25.18 billion, which is 37% higher compared to the prior year.

Ongoing enhancements to our systems and infrastructure will position us for sustained business growth while also enriching the digital experience through improved online banking.

D. Treasury

In 2024, the Treasury Group diversified and boosted cheap funding sources by expanding its credit facilities with bank counterparties to supplement the growth in loans. Supporting the Community Branch Network through regular market updates and coordinated strategies also helped broaden the depositor base of the bank.

Our Net Interest Margin (NIM) improved amid a high interest rate environment. The flat local yield curve allowed the Treasury Group to manage cash and liquidity ratios to its advantage. Meanwhile, market volatility ushered in pockets of opportunities to tactically raise funds during periods of lower rates and invest in short-term government securities that yield higher than bank deposits.

As BDONB's growth momentum continues, prospects of a bigger balance sheet will entail stronger treasury management. The impending conversion of BDONB's license into a savings bank will allow Treasury Group to access the BSP's Monetary Operations System and more investment instruments, which should cheapen gapping exercises. Under a savings bank, we foresee an expansion of Treasury products and services over the next five years.

E. Leadership, Talent, and Organization

In 2024, the Bank's employee headcount grew by 6% to 5,456 employees, with majority of new hires sourced from the local communities surrounding newly opened branches.

Despite the challenges of talent acquisition in the current market, we continued to focus on the recruitment of top talents to support network expansion. The HR team collaborated closely with the business units to gather candidate referrals from existing employees. We utilized Facebook as a channel to draw in applicants, in addition to the BDO Careers Page, Jobstreet, and LinkedIn.

We also address the organization's needs through culture-building, improved employee relations, and ongoing employee training and development. In 2024, dialogues were conducted between union representatives and management representatives to gather common concerns and discuss relevant solutions. To upgrade employees' skills and competencies, we continue to offer a mix of face-to-face and virtual training sessions, including competency-based training, values training, and regulatory required training.

To help the Bank adapt and achieve its goals, we implemented several organizational changes, such as restructuring of the MSME and SLG groups into “Sales” and “Product.” The Sales Team now covers both MSME and Salary Loans, while the Product Team is focused on the development of more banking products including Secured Loans, Non-Credit, Unsecured Loans, and Salary Loans. We also established an Operations and Technology Department to synergize efforts of the Central Operations team and the Business Technology team. Meanwhile, the new Digital Banking Unit was formed to enhance customer convenience, drive innovation, and provide secure digital experiences across all banking channels.

V. Prospects for the Future/Plans of Operation

BDONB is committed to delivering accessible, reliable, and relevant banking to those who need it the most. We nurture our relationship with the community and provide financial solutions that meet our customers’ needs, while becoming a meaningful contributor to the BDO Group.

We will continue to improve the customer experience by expanding our network for better accessibility, improving timeliness through heightened productivity and efficiency, and developing relevant products to reach more segments within the communities we serve. We are also focusing on enhancing our digital banking services to make banking even more secure, convenient, and accessible to our customers. Our relevant products and services, combined with the dedication of every BDONB employee to provide an exceptional customer experience, make banking simple and easy for the communities we serve, helping our customers achieve their life goals.

At BDONB, pursuing our vision to serve unserved and underserved communities fills us with purpose and gratitude. Nothing is more rewarding than being where we are needed—offering hope and making a difference in people’s lives. Every interaction, every opportunity to help, reminds us why we do what we do. By bringing banking closer to unserved and underserved areas through our growing network of branches, we stand by our customers at every stage of their life. We are more than just a bank—we are partners in their journey toward a better future.

VI. Performance Measures and Procedures

BDONB has been performing well as summed by various key qualitative financial indicators such as Capital Adequacy Ratio (“CAR”) and Net Interest Margin.

a. Capital Adequacy Ratio

The Bangko Sentral ng Pilipinas (BSP), as the Bank’s lead regulator, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed capital and ratio of qualifying capital to risk-weighted assets.

The Monetary Board, in its Resolution No. 1607 dated October 9, 2014, approved the new minimum capitalization requirements for banks. For rural banks with head office in other areas, particularly cities up to third class municipalities outside National Capital Region and with more

than 50 branches, the required minimum capitalization is P80.0 million. Based on the foregoing, the Bank has complied with the BSP capitalization requirement.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten (10%) percent of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excluding:

- i. unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- ii. total outstanding unsecured credit accommodations to DOSRI;
- iii. deferred tax asset or liability;
- iv. goodwill;
- v. sinking fund for redemption of redeemable preferred shares; and,
- vi. other regulatory deductions.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

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

- a) Common Equity Tier 1 (CET1) of at least 6.00% of risk-weighted assets;
- b) Tier 1 Capital of at least 7.50% of risk-weighted assets;
- c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.00% of risk-weighted assets; and,
- d) Capital Conservation Buffer of 2.50% of risk-weighted assets, comprised of CET1 Capital.

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

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the MB of the BSP.

In October 2014 BSP issued Circular No. 856, which outlined the higher loss absorbency requirements for Domestic Systemically Important Banks (DSIB). BDO has been identified as a DSIB and was required to maintain a higher loss absorbency requirement of 2.5% to be implemented in three equal annual required increases starting January 1, 2017. Subsequent to BSP's issuance of Circular No. 1051 on the Amendment to the Framework for Dealing with Domestic Systematically Important Banks (D-SIBS) in September 2019, the rate was reduced to

2% lowering minimum CAR threshold for BDO as well as for BDO Network Bank as its subsidiary to 12%. The Bank has fully adopted Basel 3 in 2016.

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

At the end of each reporting period, the Bank has complied with the prescribed ratio of qualifying capital to risk-weighted assets with Total CAR of 12.90% and Total Tier 1 CAR of 12.61% for 2024 and 2023, respectively.

b. The Return on Average Equity ("ROAE")

ROAE is a financial ratio that measures the profitability of a company in relation to the average shareholders' equity. This financial metric is expressed in the form of a percentage which is equal to net income after tax divided by the average shareholders' equity for a specific period of time. This ratio is an adjusted version of the return of equity that measures the profitability of a company. The return on average equity, therefore, involves the denominator being computed as the summation of the equity value at the beginning and the closing of a year, divided by two.

Estimating the return on average equity can provide a more accurate picture of the company's corporate profitability, particularly in situations where the value of shareholders' equity has changed significantly during the financial year. In circumstances, where the value of shareholders' equity does not alter or alters by a small amount during a specific period, the Return on Equity and the ROAE numbers should be similar, or identical.

BDONB in its latest Audited Financial Statement has reported ROAE of 8.4% and 7.3% for 2024 and 2023, respectively.

c. Return on Average Assets ("ROAA")

ROAA can be defined as an indicator used to evaluate the profitability of the assets of a firm. It is estimated by dividing the net income by average total assets. The obtained ratio is expressed as a percentage of the total average assets.

Moreover, the return on average assets is useful in measuring profits against the assets used by a company for generating profits. The ratio is an important indicator of the intensity of assets of a company. A lower ROAA ratio reflects a higher asset-intensity of the company, and vice versa. Besides, a more asset-intensive company requires a larger amount of money to continue producing revenue.

BDONB in its latest Audited Financial Statement has reported ROAA of 1.1% and 1.0% for 2024 and 2023, respectively.

d. Net Interest Margin ("NIM")

NIM is a helpful metric in tracking the profitability of a bank's investing and lending activities over a specific course of time. It can be expressed as a performance metric that examines the success of a firm's investment decisions as contrasted to its debt situations. A negative Net Interest Margin indicates that the firm was unable to make an optimal decision, as interest expenses were higher than the amount of returns produced by investments. Thus, in calculating the Net Interest Margin, financial stability is a constant concern.

Net Interest Margin is computed by dividing the difference between the Investment Returns and Interest Expenses over or by the Average Earning Assets.

BDONB in its latest Audited Financial Statement has reported Net Interest Margin of 6.9% and 6.3% for 2024 and 2023, respectively.

e. Earnings per share ("EPS")

EPS is the portion of the company's distributable profit which is allocated to each outstanding equity share (common share). It is a useful measure of profitability, and when compared with EPS of other similar companies, it gives a view of the comparative earning power of the companies. EPS when calculated over a number of years indicates whether the earning power of the company has improved or deteriorated. Growth in EPS is an important measure of management performance because it shows how much money the company is making for its shareholders, not only due to changes in profit, but also after all the effects of issuance of new shares (this is especially important when the growth comes as a result of acquisition).

The EPS is calculated by dividing net profit after taxes and preference dividends by the number of outstanding equity shares. If the capital structure changes (i.e. the number of shares changes) during the reporting period, a weighted average number of equity shares is used to for the calculations of EPS. The diluted earnings per share (Diluted EPS) expands on basic EPS and includes the shares of all convertible securities if they were exercised. Convertible securities are convertible preferred shares, stock options (usually employee based), convertible debentures and warrants.

BDONB in its latest Audited Financial Statement has reported an increasing Earnings Per Share of P2.17 and P1.75 for years 2024 and 2023, respectively. It should be noted that ONB has no convertible shares during the period herein referred.

f. Liquidity

Liquidity is the ability of BDONB to meet all its maturing repayment obligations on time and to fund all of its asset growth and strategic opportunities. The purpose of liquidity analysis is to measure current liquidity position and its ability to meet future funding needs. An analysis of current liquidity position generally involves a review of key balance sheet ratios, while the analysis of the ability to meet future funding needs involves an analysis of projected cash inflows and outflows.

BDONB manages liquidity by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio. In addition, BDONB seeks to maintain sufficient liquidity to take advantage of interest rate opportunity when they arise.

An analysis of maturity groupings of financial resources and financial liabilities items as at December 31, 2024 and 2023 shows that BDONB has negative short-term Total Liquidity Gap of P4.5B and P2.1B, respectively.

Furthermore, in its latest Audited Financial Statement, BDONB has reported a Net Income of P1,192.2 million and P884.4 million for the period ending December 2024 and 2023, respectively. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in BDONB's liquidity increasing or decreasing in any material way. BDONB has no or does not anticipate any cash flow or liquidity problems within the next twelve (12) months. It has not been in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. BDONB has not been in default or breach of any significant amount of its trade payables.

BDONB's primary source of funds is accepting deposits from retail and corporate depositors. Substantial amount of BDONB's excess funds are invested to the accredited Commercial Banks either in the form of short term or long term investments. Limits on investments are clearly defined in BDONB' Investment Manual.

BDONB may also source its funds from the readily available stand-by credit lines with Counterpart Banks.

Disposal of few acquired assets is also contributory on the Bank's fund.

Moreover, BDONB does not anticipate any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation. It has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. It also has no material commitments for capital expenditures.

The Bank does not anticipate any event that will have material unfavorable impact on net sales or revenues or income from its continuing operations in the next twelve (12) months. It also has no significant elements of income or loss that did not arise from its continuing operations.

g. Financial Statements

As a bank, BDONB's material Balance Sheet items include Loans, Deposit, Investments and Property Plant and Equipment. On the other hand, material Income Statement items consists of Interest Income on Loans, Interest Income on Investments, Service Charges, Fees and Commissions, Interest Expense on Deposits, Interest Expense on Borrowings, Compensation and Employee Benefits, Occupancy and Equipment Related Expenses Taxes and licenses. Nevertheless, the most significant Balance Sheet drivers of BDONB are its Loans and Deposits. Movements from these items could materially affect other Balance Sheet and Income Statement items.

Other Balance Sheet and Income Statement items are deemed immaterial in relation and on the basis of material factors cited above. Any changes in these immaterial items could only be an offshoot of a material item or combination of other material Balance Sheet and/or Income Statement items.

In 2011, BDONB hit its optimum year-on-year growth (71.99%) in loan Portfolio when it implemented significant change in its Salary Loans parameters i.e. reduction of interest and implementation of diminishing amortization. As a result of these change in parameter, significant growth in Loans continued to in 2013 and 2014 with year-on-year growths of 24.27% and 15.56%, respectively. However, due to stiffer competition, the Loans slightly fell by 1% 2015. Although the growth recovered at 5% in 2016, it again dipped by 2% in 2017 and 9% in 2018 mainly because of the new regulations regarding the Department of Education's (DepEd's) Auto Payroll Deduction Scheme, which stalled the DepEd Salary Loan Program for public school teachers from November 2017 through the first half of 2018. Thus, BDONB has realigned the program to be less vulnerable to political disruption, to be more competitive, improve credit performance and increase market responsiveness. In 2018, the bank implemented the nationwide rollout of a loan program tailored to micro, small, and medium enterprises (MSME) which is responsive to the call by Bangko Sentral ng Pilipinas (BSP) for greater financial inclusion. The bank was able to fully recover with 24% growth in its Salary Loans portfolio while its MSME loan portfolio and coverage doubled to P2B and to over 200 markets nationwide in 2019.

Amidst the Pandemic, in 2020, the bank was able to grow its Salary Loans portfolio by 32% while its MSME loan portfolio by 50% funded by 31% growth in Deposits. Furthermore, the bank was able to sustain Salary Loans growth at 21% and MSME at 35%, funded by 41% growth in Deposits.

In 2021, the Bank experienced another record-breaking year, as we registered the highest annual MSME loan booking, and the highest number of new branch openings in a single year, with 49 new branches. Gross customer loans increased 20% and total assets increased 34%. Due to the Bank's continued accessibility and reliability, total deposits registered a 41% increase, while current account/savings account (CASA) levels grew 16%. BDONB's net income increased 217%. Income from interest-generating activities increased 33% and non-interest income grew 46%. Gross operating income grew by 37%, while operating expenses increased 31%.

In 2022, the Bank experienced another record-breaking year in new branch openings with 90 new branches, a 37% increase over 2021's previous record. Salary loan growth was at its highest rate in 2022 as the change in allowable maximum tenor of salary loans to Department of Education employees was increased from three to five years, and, as the economy gaining improvement in the second half of 2022, loan demand among micro, small and medium enterprises (MSMEs) increased. That said, the sharp rise in interest rates have increased funding costs and increased mark-to market losses, applying pressure on retained earnings.

In 2024, BDO Network Bank (BDONB) saw sustained growth in total assets and total deposits, reflecting our commitment to expanding our network and growing the balance sheet. Our continued efforts to increase accessibility and relevance to underserved communities played a key role in this growth, allowing us to reach more customers and strengthen financial inclusion.

Though margin pressures persisted due to high inflation and low investor confidence, we continued to bring relevant and meaningful banking closer to the people we serve. In response to market and operating conditions in 2024, we focused on improving sales productivity and process efficiency. We also added capital to sustain continued growth and network expansion.

In 2024, the Bank opened 73 new branches, bringing the total number of branches and loan offices to 569. We reached out to more people in remote areas, opening branches in locations with limited or no connectivity through the deployment of low orbit satellite internet. These efforts were also complemented by coordinated expansion of Cash Agad.

As a result, gross customer loans increased by 19% from P84.7 billion to P100.7 billion, and total assets increased by 15% from P108.0 billion to P124.1 billion. Due to the Bank's accessibility and reliability, total deposits registered a 21% increase from P77.7 billion to P93.8 billion, while deposits in current accounts/savings accounts (CASA) grew 29% from P46.8 billion to P60.3 billion.

Along with the significant growth of assets and deposits in 2024, BDONB's net income increased 35% to P1.2 billion, compared to P884.4 million in 2023. Income from interest-generating activities increased 23% from P6.1 billion to P7.5 billion, while non-interest income grew 17% from P3.9 billion to P4.6 billion. Gross operating income rose by 21% from P10.0 billion to P12.0 billion, while operating expenses increased 16% from P7.8 billion to P9.1 billion.

In the ordinary course of business, the Bank has loan and deposit transactions with the Parent Bank, bank under common ownership and its DOSRI. Under the Bank's policy, these loans and other transactions are made substantially on the same terms and conditions as with other individuals and businesses of comparable risks.

Under the General Banking Act and BSP regulations, the amount of direct credit accommodations to each of Bank's directors, officers and stockholders of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investment in the bank.

Likewise, BDONB grants loan to regular borrowers and also its affiliates. The bank has no DOSRI loans both in year 2024 and 2023.

BDONB has no or does not anticipate any seasonal aspects that had a material effect on the financial condition or results of operations of BDONB.

VII. Material Changes

(a) Any Known Trends, Events or Uncertainties (material impact on Liquidity)

Trends, events or uncertainties, which can have a material impact on liquidity, are explained under item 3 (f) above.

(b) Internal and External Sources of Liquidity

The internal and external sources of liquidity are herein discussed under item 3 (f) above.

(c) Any Material Commitments for Capital Expenditure and Expected Funds

None.

(d) Any Known Trends, Events or Uncertainties (material impact on sales)

Trends, events or uncertainties, which can have a material impact on sales, are explained under item 3 (f) above.

(e) Causes for any Material Changes from Period to Period of Financial Statements

The causes for any material changes from 2020-2021 are explained in item 3 (f) above.

(f) Seasonal Aspects that has material Effect on the Financial Statements

None.

VIII. Description of the General Nature and Scope of the Business of the Bank

1) Business Development

Form and Year of Organization

BDO Network Bank, Inc. (**BDONB** or the “**Bank**”) was organized as a result of the consolidation of two rural banks, namely, One Network Rural Bank, Inc. (ONRBI) and Rural Bank of New Corella (Davao del Norte), Inc. (RBNCI). The Bank was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on July 14, 2011 to engage and carry on the business of a rural bank as provided in the Rural Banks Act of 1992. The Bank started its commercial operations on September 1, 2011. On April 18, 2012, a plan of merger was made and entered into by the Bank with Rural Bank of San Enrique (Iloilo), Inc. (RBSEI) doing business under the name and style of Banco San Enrique (a Rural Bank). On April 12, 2013, the SEC approved the merger of the Bank with RBSEI, with the former as the surviving entity. On July 20, 2015, BDO Unibank, Inc. (BDO or the Parent Bank), with the approval of the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), successfully acquired 99.59% of the Bank’s outstanding capital stock making the Bank a member then of the BDO Group. As of December 31, 2024, BDO is the beneficial owner of 83.93% of the Bank’s total issued and outstanding capital.

On September 29, 2018, the Parent Bank entered into an agreement with Osmanthus Investment Holdings Pte. Ltd. (Singapore), whereby the latter will acquire 15.00% ownership interest in the Bank. On May 16, 2019 and January 8, 2021, the latter acquired 10.00% and 5.00% ownership interest in the Bank, respectively.

On February 4, 2019, the Bank entered into an asset sale and purchase agreement with Rural Bank of Pandi (Bulacan), Inc. (RBPI) wherein the Bank purchased the recorded gross loan receivables, and assume the recorded deposit liabilities of RBPI. The purchase was completed on October 31, 2019.

On July 31, 2019, the SEC approved the Bank’s application to change its corporate name from One Network Bank, Inc. (A Rural Bank of BDO) to BDO Network Bank, Inc.

As a banking institution, the Bank’s operations are regulated and supervised by the BSP. In this regard, the Bank is required to comply with the rules and regulations of the BSP such as those

relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Bank is subject to the provisions of the General Banking Law of 2000 or Republic Act (RA) No. 8791. The registered head office of the Bank is located at BDONB Center, Km. 9, Sasa, Davao City. The Bank has the widest private sector banking network in Mindanao and the widest rural banking network in the country with 465 branches and 104 loan processing offices as of December 31, 2024.

Consistent with its commitment to provide accessible, relevant, and reliable financial solutions to communities, the Bank offers a range of products and services that are designed to help individuals and small businesses to grow their funds securely. It offers deposit products, such as Regular Savings Accounts, Young Pera Savers Accounts, ATM and Payroll Accounts, Kabayan Savings, Optimum Savings, Checking Accounts, and Time Deposit Accounts. ATM savings accounts can be opened with an initial deposit of only P100. The Bank also offers Loan Products such as Salary Loans that offer convenient access to credit for essential needs, and Negosyante Loans, which provide access to capital for MSMEs. It also offers Kabalikat Plan, a microinsurance product that provides daily hospitalization allowance. Other services include convenient, quick and affordable collection and payment services, bringing simple banking solutions to more communities and spurring the development of more regions throughout the Philippines.

IX. Market for Issuer’s Common Equity and Related Stockholder Matters

1) Market Information

There is no principal market where the Bank’s shares (Common and Government Preferred “A” shares) are being traded.

2) Holders of Securities

A. Common Shares

The number of common shareholders as of December 31, 2024 is 341. The top 20 common shareholders of the Bank as of December 31, 2024 on the basis of actual tender offer of shares standing, are as follows:

RANK	NAME OF STOCKHOLDERS (COMMON STOCKS)	NATIONALITY	NO. OF SHARES OWNED	% OF OWNERSHIP
1	BDO UNIBANK, INC.	FILIPINO	*46,163,722	83.93%
2	OSMANTHUS INVESTMENT HOLDING, PTE., LTD	SINGAPOREAN	8,249,998	15.00%
3	AQUINO, DAVID S. and/or ESPERANZA and/or SARAH ANGELICA and/or DAVID ANGELO	FILIPINO	258,040	0.47%
4	AQUINO, DAVID S.	FILIPINO	115,143	0.21%
5	ULANGCA, CHRISTINA MA. LUISA D.R.	FILIPINO	80,360	0.15%
6	LAGMAN, EDGARDO	FILIPINO	21,920	0.04%
7	LIM, GEORGE U or SHERWIN C.	FILIPINO	12,251	0.02%

8	ESPADERA, MA. DIOLIE	FILIPINO	7,661	0.01%
9	ESPADERA, REYNANTE	FILIPINO	7,659	0.01%
10	PANES, EVELYN K.	FILIPINO	6,773	0.01%
11	ABAD, FELICITA	FILIPINO	6,447	0.01%
12	CATOLICO, PRISCILA	FILIPINO	5,555	0.01%
13	SIAN, REY	FILIPINO	4,256	0.01%
14	BUENAVENTURA, AMELIA AND/OR MYCHELLE D.R. ULANGCA	FILIPINO	3,586	0.01%
15	EVANGELISTA, THADDUES	FILIPINO	3,201	0.01%
16	TOLENTINO, SULPICIO	FILIPINO	2,498	0.00%
17	TOLENTINO, FELIPE, JR.	FILIPINO	2,481	0.00%
18	PANABO JI AGRICULTURAL TRADERS (PJAT) INC.	FILIPINO	2,220	0.00%
19	PALABRICA, FRANCISCA	FILIPINO	2,211	0.00%
20	RAMOS, CARLOS	FILIPINO	2,160	0.00%
21	OTHERS	FILIPINO	41,858	0.10%
	TOTAL		55,000,000	100.000%

**The application for issuance of the Certificate Authorizing Registration to transfer the shares from various owners to BDO Unibank, Inc. in the records of the Bank is currently pending with the BIR.*

B. Government Preferred "A" Shares

Government Preferred "A" shares outstanding as of December 31, 2024 stood at 20,560 owned by only 1 shareholder, Development Bank of the Philippines.

3) Dividends

The Bank's Board of Directors is authorized to declare dividends annually. Stock Dividend declarations require further approval of stockholders representing not less than two-thirds (2/3) of all stocks outstanding and entitled to vote. Such stockholders' approval may be given at a general or special meeting duly called for the purpose. Dividends may be declared only from surplus profits after making proper provisions for necessary reserves in accordance with applicable laws and the regulations of the BSP.

There were no dividend declaration made in 2015 as this was already the tender offer year by the BDONB shareholders and the year when BDO made its acquisition.

There was no dividend declaration made in 2022, 2023 and 2024.

4) Recent Sales of Unregistered Securities (within 3 years)

The Corporation did not sell nor offer for sale any unregistered or exempt securities including issuance of securities constituting an exempt transaction for the last three (3) years.

VI. Compliance with Leading Practices on Corporate Governance

1) Evaluation System

BDONB's Manual on Corporate Governance (the "Manual") was approved by the Board of Directors on July 7, 2014 and its latest amendment/revision on May 30, 2025, in compliance with the Revised Code of Corporate Governance of the SEC and MORB of the Bangko Sentral ng Pilipinas.

The evaluation by the Bank to measure and determine the level of compliance of the Board of Directors and top level management with the Manual is vested by the Board of Directors in the Compliance Officer. The Compliance Officer, who holds the position of Senior Assistant Vice President and has direct reporting responsibilities to the Board, is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. Compliance by the Board of Directors and top level management with the Manual is evaluated on the basis of their compliance with the policies and procedures of the Bank specifically adopted for good corporate governance.

BDONB has substantially adopted the provisions of the Manual.

2) Measures on Leading Practices of Good Corporate Governance

In order to aid the Board of Directors in complying with the principles of good corporate governance, the Board of Directors constituted the Board Level Committees of Corporate Governance, Audit, and Risk Management, Related Party Transactions, and the Executive. For one, the Related Party Transactions Committee was established on July 30, 2016, whose primary role is to review and evaluate proposed related party transactions prior to endorsement to the Board of Directors for approval. There is also a Management Committee which directly reports to the President.

Each of the said Committees has adopted its own charter which is being reviewed annually and updated if necessary. The charter sets out the Committee's role, authority, duties and responsibilities, and the procedure which guides the conduct of its functions.

On a periodic basis, the Board of Directors conducts self-assessment of its performance against established criteria, for purposes of assessing its effectiveness and as a tool in its efforts to improve its structure, composition and practices and procedures. The Corporate Governance Officer prepares the overall report and presents this to the Corporate Governance Committee for discussion and endorsement to the Board, including the recommended actions and focus areas to improve effectiveness.

Pursuant to its commitment to good governance and business practice, the Bank continues to review and strengthen its policies and procedures in order to ensure that such policies and procedures are consistent with leading practices on good corporate governance, giving due consideration to developments in the area of corporate governance, which it determines to be in the best interests of the Bank and its stockholders.

3) Any Deviation from the Manual

BDONB has substantially adopted the provisions of the Manual.

4) Improvement of Good Governance

BDONB is now entering the era of digital transformation and looking at ways to optimize the use of the new technologies to strengthen corporate governance practices while remaining vigilant to the risk of digitization to business operations. In ensuring that the Bank stays as the market leader in the Philippine financial services industry, it is focused on maximizing the effectiveness of our corporate governance practices as a business enabler and driver of our performance in the proper context of risks and rewards, opportunities, and prospects for the Bank in this new era. This is essential in going forward into the future as it continues to compete and remain relevant to our various stakeholders.

Undertaking to Provide Annual Report

BDONB undertakes to provide, without charge, each stockholder a copy of BDONB's Annual Report on SEC Form 17-A upon written request to BDONB addressed to:



ATTY. JOSEPH JASON M. NATIVIDAD

Corporate Secretary
BDONB Corporate Center
Km. 9 Sasa, Davao City

At the discretion of BDONB, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by BDONB in furnishing such exhibits.