IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Circular. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us.

Confirmation of your representation:

You have accessed the attached document on the basis that you have confirmed to RCBC Capital Corporation ("**RCBC Capital**") and Standard Chartered Bank ("**SCB**"), together referred to as the Joint Arrangers, that (1) you are not a resident in a country where delivery of this document by electronic transmission may not be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, AND (2) that you consent to delivery of this document by electronic transmission.

This document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently the Joint Arrangers, Selling Agents, and Lead Arranger/s and Bookrunner/s appointed in relation to each issuance under the Programme (and their respective affiliates) accept no liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version.

You understand that: The information in this Offering Circular has been provided by Rizal Commercial Banking Corporation ("**RCBC**", the "**Issuer**" or the "**Bank**") in relation to the Bank's ₱200,000,000,000 Bond and Commercial Paper Programme (the "**Programme**"). The Bank's Board of Directors approved the increase in the aggregate principal of the Programme from ₱100,000,000,000 to ₱200,000,000,000 on 27 June 2022. The Joint Arrangers, Selling Agents and Lead Arranger/s and Bookrunner/s appointed in relation to each issuance under the Programme have not independently verified all the information contained in this Offering Circular. The Joint Arrangers, Selling Agents, and Lead Arranger/s and Bookrunner/s appointed in relation to each issuance under the Programme (and their respective affiliates) (1) accept no liability or responsibility for (a) the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Arrangers or on their behalf in connection with the Issuer, (b) the accuracy or completeness of the information contained in this Offering Circular or on which this Offering Circular is based, or (c) the issue and offering of the Bonds (as defined in this Offering Circular and which includes Commercial Papers), (2) nor makes any representation or warranty, express or implied, with respect to, the information contained in this Offering Circular or on which this Offering Circular is based. The Joint Arrangers, Selling Agents, and Lead Arranger/s and Bookrunner/s appointed in relation to each issuance under the Programme (and their respective affiliates) accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular should not be considered as a recommendation by the Joint Arrangers, Selling Agents, and Lead Arranger/s and Bookrunner/s appointed in relation to each issuance under the Programme or any of their respective affiliates to any recipient of this Offering Circular, in relation to the Programme or Bonds to be issued under the Programme. Each person to whom this Offering Circular is made available by the Joint Arrangers, Selling Agents, and Lead Arranger/s and Bookrunner/s appointed in relation to each issuance under the Programme must make its own independent assessment of any transaction in respect of the Programme or Bonds issued under the Programme after making such investigation as it deems necessary.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

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RIZAL COMMERCIAL BANKING CORPORATION
(A BANKING CORPORATION ORGANIZED AND EXISTING UNDER PHILIPPINE LAWS)

₱200,000,000,000 BOND PROGRAMME

Under this ₱200,000,000,000 Bond Programme, Rizal Commercial Banking Corporation ("**RCBC**", the "**Bank**" or the "**Issuer**") may offer from time to time, in one or more series of tranches, up to the remaining balance in aggregate principal amount of Bonds (the "**Programme Limit**"), pursuant to BSP Circular No. 1010 (Series of 2018), and any other circulars and regulations as may be relevant for the transaction, as amended from time to time. See *"Offering Circular Summary."*

Only such Bonds issued within the Programme Limit will be governed by the Programme Agreement and the General Terms and Conditions.

The Bonds (as defined below and which includes Commercial Papers) will constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank. The Bonds will at all times rank *pari passu* and without any preference among themselves and at least equally with all other direct, unconditional, unsecured and unsubordinated Peso-denominated obligations of the Bank, other than obligations mandatorily preferred by law. See *"General Terms and Conditions – Status and Ranking."* The Bonds can be issued, without limitation, with a fixed or floating interest rate, as zero-coupon bonds, or as green, social, or sustainable bonds.

The Philippines recently cemented its position as an Investment Grade credit. The Bank is rated Baa3 by Moody's Investor Services (Baseline Credit Assessment). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency concerned. The Bonds to be issued under the Programme may or may not be rated and where any issuance of Bonds under the Programme is proposed to be rated, such rating(s) shall be set out in the applicable Pricing Supplement.

INVESTING IN THE BONDS ENTAILS CERTAIN RISKS. SEE "*INVESTMENT CONSIDERATIONS"* BEGINNING ON PAGE 18 FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS.

The Bonds will be deposited with Development Bank of the Philippines – Trust Banking Group, which has been appointed as the Public Trustee by the Bank. The Bonds shall be maintained in scripless and electronic form with the Registrar through the Registry and registered in the name of the Bondholders. Registry Confirmations will be issued in favor of the Bondholders in accordance with the Regulations and the Registry and Paying Agency Agreement and will be serially numbered. Once lodged, the Bonds will be eligible for electronic book-entry transfers in the Registry without the issuance of other evidences of the Bonds, and any sale, transfer, or conveyance of the Bonds shall be coursed through an accredited exchange. The Bonds will be enrolled or listed in the trading platform of the Philippine Dealing & Exchange Corp. ("**PDEx**") for secondary market trading pursuant to the Bangko Sentral ng Pilipinas ("**BSP**") rules. Upon enrollment or listing of the Bonds in the PDEx, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and shall settle such trades on a Delivery versus Payment ("**DvP**") basis in accordance with PDEx Settlement Rules and Guidelines.

THE BONDS ARE NOT DEPOSITS AND ARE NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION.

To the fullest extent permitted by law, the Joint Arrangers, the Selling Agents appointed by the Bank in relation to each issuance under the Programme (which may include the Initial Selling Agents) (the "**Selling Agents**"), and the Lead Arranger/s and Bookrunner/s appointed in relation to each issuance under the Programme (the "**Lead Arranger/s and Bookrunner/s**") do not accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Arrangers, the Selling Agents, and the Lead Arranger/s and Bookrunner/s or on their behalf in connection with the Bank or the issue and offering of the Bonds. The Joint Arrangers, the Selling Agents, and the Lead Arranger/s and Bookrunner/s (and their respective affiliates) accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

JOINT ARRANGERS

RCBC Capital Corporation   standard chartered

INITIAL SELLING AGENTS

RCBC   standard chartered

The date of this Offering Circular is 8 May 2025.

For any concerns you may contact us at (02) 8877-RCBC (8877-7222) or customercontact@rcbc.com. RCBC is supervised by the Bangko Sentral ng Pilipinas with telephone number (02) 8708-7087 and email address consumeraffairs@bsp.gov.ph.

The Bank confirms that (i) this Offering Circular contains, and at the date of publication or issue contained, all material information with respect to the Bank, the Group, the Programme and the Contracts (including all information which is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank, the Group and the rights attaching to the relevant Series or Tranche of Bonds), (ii) this Offering Circular does not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made in this Offering Circular, in the light of the circumstances under which they were made, not misleading and there is no other fact or matter omitted from this Offering Circular which was or is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank or the Group and of the rights attaching to the relevant Series or Tranche of Bonds; (iii) the other financial data set forth in this Offering Circular relating to the Bank is accurately presented and prepared on a basis consistent with the consolidated financial statements and books and records of the Group; that the Bank and each member of the Group has no outstanding guarantees or contingent payment obligations with respect to indebtedness of third parties, except those issued in the ordinary course of business or as described in this Offering Circular; the Bank and each Group member is in compliance with all of its obligations under any outstanding guarantees or contingent payment obligations as described in this Offering Circular; (iv) all statistical and market related data included in this Offering Circular is based on or derived from sources that the Bank reasonably believes to be reliable and accurate in all material respects, has been accurately extracted from such source and the Bank has obtained the written consent to the use of such data from such sources to the extent required; (v) the statements of intention, opinion, belief or expectation contained in this Offering Circular and the Marketing Materials are honestly and reasonably made or held; and (vi) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.

In making an investment decision, you must rely on your own examination of the Bank and the terms of the offering of Bonds, including the merits and risks involved. By receiving this Offering Circular, you acknowledge that (i) you have not relied on Standard Chartered Bank ("**SCB**") and RCBC Capital Corporation ("**RCBC Capital**") (collectively, the "**Joint Arrangers**"), and the Development Bank of the Philippines – Trust Banking Group (the "**Trustee**") or any person affiliated with the Joint Arrangers or the Trustee in connection with your investigation of the accuracy of any information in this Offering Circular or your investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Bank, the Group, the Programme, or the Bonds other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank, the Joint Arrangers, or the Trustee.

Except in the case of the Bank and RCBC Capital Corporation as Joint Arranger, each of Standard Chartered Bank and the Trustee, is a third party that has no subsidiary or affiliate or any other relationship with the Bank that would undermine its independence.

The Joint Arrangers, Selling Agents, Lead Arranger/s and Bookrunner/s, and the Trustee (and their respective affiliates) have not independently verified the information contained or incorporated by reference herein. Accordingly, no representation or warranty, express or implied, is made by the Joint Arrangers, Selling Agents, Lead Arranger/s and Bookrunner/s or Trustee, or any director, officer, employee, agent or affiliate of any such person, as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank in connection with the issue and offering of the Bonds. None of the Joint Arrangers, Selling Agents, Lead Arranger/s and Bookrunner/s (and their respective affiliates) accepts any responsibility for any acts or omissions of the Bank or any other person (other than the relevant Selling Agent or Lead Arranger/s and Bookrunner/s) in connection with the issue and offering of the Bonds. To the fullest extent permitted by law, the Joint Arrangers, Selling Agents, Lead Arranger/s and Bookrunner/s and Trustee (and their respective affiliates) assume no liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank or any statement made or purported to be made by the Joint Arrangers, Selling Agents, Lead Arranger/s and Bookrunner/s and Trustee or any of their respective affiliates or advisors or any of their behalf, in connection with the Bank or the issue and offering of the Bonds. Each of the Joint Arrangers, Selling Agents, Lead Arranger/s and Bookrunner/s and Trustee (and their respective affiliates) accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Neither the delivery of this Offering Circular nor the offer of Bonds shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Bank or the Group since the date of this Offering Circular or that any information contained herein is correct as at any date subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as at any time subsequent to the date indicated in the document containing the same. The Joint Arrangers, Selling Agents, Lead Arranger/s and Bookrunner/s expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

No person is or has been authorized by the Bank, the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the offering of any Bonds thereunder and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank, the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s. Neither this Offering Circular nor any other information supplied in connection with the Programme or the offering of any Bonds thereunder (a) is intended to provide the basis of any credit or other evaluations or (b) should be considered as a recommendation by the Bank, the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s that any recipient of this Offering Circular, or any other information supplied in connection with the offering of the Bonds, should purchase any Bonds. Each investor contemplating to purchase any Bonds should rely on its own examination of the Bank and the terms of the offering of the Bonds, including the merits and risks involved. By receiving this Offering Circular, the prospective Bondholder acknowledges that (i) it has not relied on the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s or any person affiliated with them in connection with its investigation of the accuracy of any information in this Offering Circular or its investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Bank, the Group, the Programme, or the Bonds other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank, the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s.

None of the Bank, the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s or the Trustee, or any of their respective affiliates, associates or representatives is making any representation to any purchaser of the Bonds regarding the legality of an investment by such purchaser under applicable laws. In addition, you should not construe the contents of this Offering Circular as legal, business or tax advice. You should be aware that you may be required to bear the financial risks of an investment in the Bonds for an indefinite period. You should consult with your own advisers as to the legal, tax, business, financial and related aspects of a purchase of Bonds.

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

Each Bondholder must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Bonds or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Bonds under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and the Bank or the Joint Arrangers shall have no responsibility therefor.

None of the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s accepts any responsibility for any social, environmental and sustainability assessment of any Bonds which will be issued as Green Bonds, Social Bonds or Sustainability Bonds or makes any representation or warranty or assurance whether such Bonds will meet any investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels or any requirements of such labels as they may evolve from time to time. None of the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s is responsible for the use or allocation of proceeds for any Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds, nor the impact or monitoring of such use of proceeds nor do any of the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s undertake to ensure that there are at any time sufficient Eligible Projects (as defined in "*Sustainable Financing Framework*" below) to allow for allocation of a sum equal to the net proceeds of the issue of such Green Bonds, Social Bonds or Sustainability Bonds in full.

In addition, none of the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s is responsible for the assessment of the Bank's Sustainable Financing Framework including the assessment of the applicable eligibility criteria in relation to Green Bonds, Social Bonds or Sustainability Bonds set out therein. Sustainalytics has issued an independent opinion, dated 14 February 2024, on the Bank's Sustainable Financing Framework (the "**Opinion**"). The Opinion provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in any Bonds, including without limitation market price, marketability, investor preference or suitability of any security. The Opinion is not a statement of fact. No representation or assurance is given by the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s as to the suitability or reliability of the Opinion or any opinion or certification of any third party made available in connection with any issue of Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds. As at the date of this Offering Circular, the provider of such opinions is not subject to any specific regulatory or other regime or oversight. The Opinion and any other such opinion is not, nor should be deemed to be, a recommendation by the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s, or any other person to buy, sell or hold any Bonds and is current only as of the date it is issued. The criteria and/or considerations that formed the basis of the Opinion or any such other opinion may change at any time and the Opinion may be amended, updated, supplemented, replaced and/or withdrawn. Prospective investors must determine for themselves the relevance of any such opinion and/or the information contained therein. The Bank's Sustainable Financing Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Offering Circular. The Bank's Sustainable Financing Framework, the Opinion and any other such opinion does not form part of, nor is incorporated by reference in, this Offering Circular.

In the event any such Bonds are, or are intended to be, listed, or admitted to trading on a dedicated "green", "sustainable", "social" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s that such listing or admission will be obtained or maintained for the lifetime of the Bonds.

Conventions

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government" herein are references to the Government of the Philippines. All references to "United States" or "U.S." herein are to the United States of America. Unless otherwise specified or the context otherwise requires, references herein to "U.S. dollars", "USD", and "US$" are to the lawful currency of the United States of America and references herein to "Pesos", "₱" and "PHP" are to the lawful currency of the Republic of the Philippines. Certain monetary amounts and currency translations included in this document have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. References in this document to ownership interests are, save as otherwise disclosed, as at the date of this document.

Forward-looking Statements

All statements contained in this Offering Circular that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will" and "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group's expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Group's business strategy, revenue and profitability, planned projects and other matters discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Bank or any third party) involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Bank's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the Bank's ability to successfully implement its business strategy, the condition of and changes in the Philippine, Asian or global economies, future levels of nonperforming loans, the Bank's growth and expansion, including whether the Bank succeeds in its business strategy, changes in interest rates and changes in government regulation and licensing of its businesses in the Philippines and in other jurisdictions where the Bank may operate, and competition in the banking and financial services industry.

Additional factors that could cause the Bank's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Investment Considerations*". Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Each of the Bank and the Joint Arrangers, the Selling Agents and the Lead Arranger/s and Bookrunner/s expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Bank's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

Industry and Market Data

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries was derived from information compiled and made available by the BSP or other public sources. While the Bank has ensured that such information has been extracted accurately and is believed by the Bank to be reasonable and presented in its proper context, the Bank has not independently verified any of the data from third-party sources or ascertained the correctness of the underlying economic assumptions relied upon therein.

Pricing Supplement

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

The Pricing Supplement shall contain the following information:

(a) Name of the issuer;
(b) Description of the issue;
(c) Description of the specified currency or currencies;
(d) Description of the offer size of the specific offering;
(e) Description of the manner of distribution;
(f) Description of the form and denominations of the Issuance;
(g) Description of the interest rate and the mode of settlement of the offering;
(h) Description of the interest payable;
(i) Description of the provisions relating to redemption;
(j) Parties to the distribution.

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

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DOCUMENTS INCORPORATED BY REFERENCE

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

(a) The most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Issuer, (see "*Selected Consolidated Financial Information*" for a description of the financial statements currently published by the Issuer); and

(b) All supplements or amendments to this Offering Circular prepared by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any published unaudited interim financial statements of the Issuer which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited by the auditors of the Issuer. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

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

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

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations, and directives, may from time to time issue Bonds, subject to the terms set out herein. A summary of the general terms and conditions of the Bonds appears below. The applicable terms of any Bond will be agreed between the Issuer and the relevant Arranger(s) prior to the issuance and will be set out in the General Terms and Conditions of the Bonds endorsed on, attached to, or incorporated by reference into, Bond Certificate for the relevant Bonds, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Bonds.

This Offering Circular and any supplement will only be valid for enrollment or listing of Bonds on PDS in an aggregate nominal amount which, when added to the aggregate nominal amount of all Bonds previously or simultaneously issued under the Programme, does not exceed ₱113,000,000,000. This amount when added to the Existing Bonds constitutes the entire Bond and Commercial Program of the Bank.

OFFERING CIRCULAR SUMMARY

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Circular. It is recommended that each prospective Bondholder reads this entire Offering Circular carefully, including the Bank's consolidated financial statements and related notes (the "Financial Statements") and "Investment Considerations".

Description of the Bank

The Bank is a prominent universal bank in the Philippines which provides a wide range of banking and financial products and services, including commercial and retail banking, credit cards, asset management and treasury and investment banking products and services. As of 31 December 2024, the Bank was the fifth largest private domestic commercial bank in the Philippines in terms of total assets, based on the Bank's published statements of financial position. In terms of branches, the Bank ranked seventh in the Philippines, with a country-wide total of 465 branches as of 31 December 2024, which includes 12 branch lite offices.

As of 31 December 2024, the Bank's consolidated total resources and equity amounted to ₱1.36 trillion and ₱158.49 billion, respectively. The Bank's consolidated profit before tax and net profit for the year ended 31 December 2024 amounted to ₱12.99 billion and ₱9.52 billion, respectively.

As of 31 December 2024, the Bank had a market capitalization on the Philippine Stock Exchange of ₱60.125 billion. The Bank's consolidated Tier 1 capital adequacy ratio and total capital adequacy ratio were 15.18% and 16.08%, respectively, as of 31 December 2024.

The Bank offers commercial, corporate and consumer banking products and services throughout the Philippines, as well as treasury, cash management and remittance services. The Bank's medium-term strategy is to grow its loan portfolio specifically its consumer and SMEs loan portfolios.

The Bank's Retail Banking Group (**RBG**) provides a range of banking products and services mainly sold through the Bank's branch network. These include deposit products, cash management solutions, investments including trust products, and bancassurance. Aside from managing the Bank's branches, RBG also manages the Bank's nationwide ATM network.

The Bank's Corporate Banking Group (**CBG**) focuses on leading Philippine and multinational corporations, Filipino-Chinese businesses, and international corporate clients in special economic zones (**SEZs**). Through its current affiliation with the Yuchengco Group of Companies (**YGC**) and Sumitomo Mitsui Banking Corporation (**SMBC**), it has established long-standing relationships with Japanese companies in various SEZs in the country.

The Bank also provides a full range of consumer banking products and services in the Philippines. The Bank's international operations consist of its wholly-owned subsidiaries RCBC International Finance Limited (RCBC IFL) and RCBC Investment Ltd., both in Hong Kong. The Bank's relationship with other banks, exchanges and other international money transfer agencies has strengthened its remittance business used primarily by OFWs. The Bank estimates it had an approximate 5% share of the remittance business in the Philippines as of 31 December 2024, based on remittance volumes published by the BSP.

In 2018, the BSP recognized the Bank as an Outstanding Respondent for the Coordinated Portfolio Investment Survey. In the same year, the Bank received six awards from the Fund Managers Association of the Philippines and the Best Credit Card award at the 2018 International Finance Banking Awards. In the areas of communication and branding, the Bank received six awards at the 2018 International Association of Business Communication Gold Quill Awards and a Gold Anvil award at the 2018 Anvil Awards. In the same year, the Bank ranked first in the most improved level of customer advocacy category of YouGov.com.

The Bank continued to receive key awards from regulators, as well as respectable local and international bodies in 2019, which is a testament of its commitment to service excellence. In the area of corporate banking, the Bank was recognized in 2019 by various international bodies for its leading role in financing some of the major infrastructure in the Philippines. These include the Asset Triple A and Benchmark Awards, and the Asian Banking and Finance Corporate and Investment Banking Awards under the Asset's Asia Infrastructure 2019 'Best Deals by Country" category (which consists of "Transport Deal of the Year", "Renewable Energy Deal of the Year" and "PPP Deal of the

Year". The Bank also received recognition from The Asset Asian Awards as the "Best Issuer for Sustainable Finance" and "Best Sustainability Bond" in the Philippines. In the area of communications and branding, RCBC received several awards, which include five Quill Awards from the 2019 International Association of Business Communicator Gold Quill Awards, two awards from the Bank Marketing Association of the Philippines, a Gold Anvil for the brand refresh campaign and a Silver Anvil for the Bank and RCBC Savings Bank's Merger Communication at the 2019 Anvil Awards. In addition, RCBC Bankard Services Corporation (**RCBC Bankard**) received the Best Card Offering-Philippines recognition during the 5th International Finance Magazine Awards and Silver Anvil for the RCBC Bankard Platinum Launch.

In 2020, RCBC was awarded by The Global Economics as the Philippines' Most Innovative Internet Banking Service Provider. In addition, the Bank was also given the Platinum for Creative Effectiveness and Gold in Digital Marketing by Association of Marketing and Communications Professional. In the same year, the Bank won three awards from Anvil awards, namely Visa Platinum card launch, Merger of RCBC and RCBC Savings Bank and Change Management Communication Playbook. In addition, RCBC won two awards from Global Retail Banking Innovation Summit & Awards, namely Loan Offering of the Year for the Bayanihan Balance Conversion Program and Best CSR Initiative for the COVID-19 Relief Efforts Rewards Donation Program.

RCBC won four awards as Best Bank for Digital in the Philippines in 2021, including that of Asia Money and Alpha South East Asia which RCBC has won for two consecutive years. The Bank was also awarded by Global Banking & Finance as Best Corporate and Best Cash Management Bank in the Philippines, while it was awarded as Best SME Banking Brand by Global Brand and Mid-sized Domestic Retail Bank of the Year – Philippines by Asian Banking and Finance. In addition, the Bank was awarded by CFA Society Philippines as Best Managed Fund – Equity (Peso).

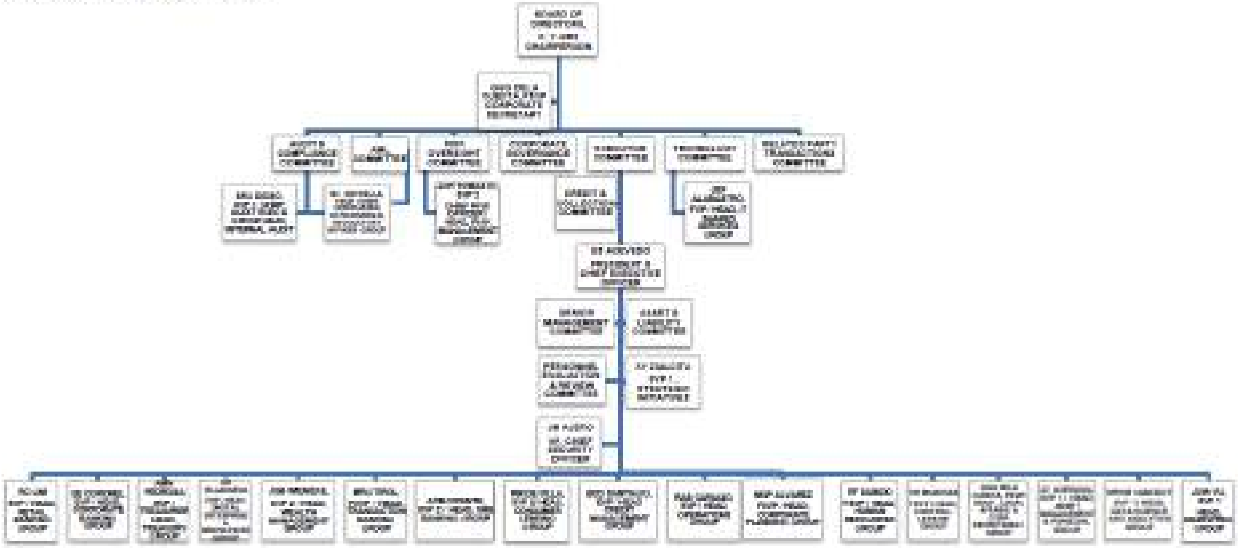
In 2021, RCBC also won Sustainability awards such as Best Sustainability Bond Asset from Publishing and Research Ltd, ESG Gold Award from The Asset and Renewable Energy Deal of the Year – WIND under Vietnam, Best Deals – ASEAN (RCAP & CBG) from The Asset Infrastructure Awards

In 2022, RCBC's Corporate Banking Group was recognised by the Global Banking and Finance Awards for being the Best Corporate Bank – Philippines for the second year in a row. RCBC also won the Philippines' Best Bank for Digital by Asiamoney and the Global Retail Banking Innovation Awards by The Digital Banker.

In 2023, RCBC clinched 50 awards, including, inter alia, four awards as Best Digital Bank in the Philippines by Global Business Review Magazine Award, Global Business Magazine, World Economic Magazine and International Business Magazine Awards. The Bank also won three awards for the Best Bank for Financial Inclusion, including by World Economic Magazine. The Bank also received awards for innovation, including the Most Innovative Internet Banking Service Philippines by the Global Business Magazine.

In 2024, RCBC was cited as the Philippines' Best Bank for SMEs and Best Bank for Digital by Euromoney. It also received several awards from Asian Banking and Finance, including, among others, SME Bank of the Year, Consumer Finance Product of the Year, Remittance Company of the Year and Automobile Lending Initiative of the Year. RCBC also won awards for sustainability and corporate social responsibility (CSR) such as Best Bank for Sustainable Development Philippines 2024 from Global Banking and Finance and Best CSR Initiative – Financial Inclusion by Retail Banker Asia Trailblazer Awards 2024.

ORGANIZATION CHART
As of 31 December 2024



RECENT DEVELOPMENTS

Recent Developments

Effective 1 January 2025, the SME Banking Group and Corporate Banking Group was merged under the Institutional Banking Group.

On 9 December 2024, the Board of Directors approved the following changes in personnel, which took effect on 1 January 2025 subject to BSP and other regulatory approvals required:

1. Executive Vice President Reginaldo Anthony B. Cariaso will be appointed Deputy Chief Executive Officer.
2. Second Senior Vice President Juan Gabriel R. Tomas IV will be appointed Group Head of Operations.
3. Executive Vice President Bennett D. Santiago will be appointed Chief Risk Officer and Head of Risk Management Group.
4. Executive Vice President Elizabeth E. Coronel will be appointed Group Head of Institutional Banking, replacing Second Senior Vice President Anna Christina M. Vicente who will be resigning as the current head of SME Banking Group.
5. First Senior Vice President Simplicio B. Dela Cruz, Jr. will be seconded to Rizal Microbank, Inc. (a thrift bank of RCBC) and appointed President and CEO. Mr. Ismael S. Reyes, currently the President and CEO of Rizal Microbank, will be recalled and will report to the Office of the RCBC President and CEO to be responsible for coordinating the bank's Retail and Microbank transformation efforts.
6. First Senior Vice President Sheila Ricca G. Dioso will be appointed Chief Compliance Officer and Head of Regulatory Affairs Group. First Senior Vice President Brent C. Estrella, currently the Chief Compliance Officer and Head of Regulatory Affairs Group, will report to the Office of the President & CEO to handle Control and Governance transformation initiatives.

On 21 April 2025, the Bank announced the passing of one of its directors, Mr. Gil Buenaventura. Mr. Buenaventura served as a Director and as a member of the Executive Committee of the Bank since July 2016. He was also President and Chief Executive Officer of the Bank until 30 June 2019.

Capital Markets Transactions

On 7 April 2020, the Bank issued ₱7,054,300,000 4.848% bonds due in 2022 under its ₱100 billion bond and commercial paper programme.

On 27 July 2020, the Bank issued ₱16,616,410,000 3.25% bonds due in 2022 under its ₱100 billion bond and commercial paper programme.

On 27 August 2020, the Bank issued additional tier 1 capital of U.S.$300 million.

On 31 March 2021, the Bank issued ₱13,742,840,000 3.20% ASEAN sustainability bonds due in 2023 and ₱4,129,730,000 4.18% ASEAN sustainability bonds due 2026 under its ₱100 billion bond and commercial paper programme.

On 21 February 2022, the Bank issued ₱14,756,260,000 3.00% bonds due 2024 under its ₱100 billion bond and commercial paper programme.

On 17 January 2024, the Bank issued U.S.$400 million 5.50% unsecured sustainability bonds due in 2029 under its U.S.$3,000,000,000 Medium Term Note Programme.

On 21 January 2025, the Bank issued U.S.$350 million 5.38% unsecured sustainability bonds due in 2030 under its U.S.$3,000,000,000 Medium Term Note Programme.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information has been derived from the audited consolidated financial statements of the Bank and its subsidiaries as of and for the years ended 31 December 2022, 2023 and 2024. The Bank's audited consolidated financial statements as of and for the years ended 31 December 2022, 2023 and 2024 have been prepared in accordance with PFRS for banks.

Investors should read the following summary of consolidated financial and other data relating to the Bank in conjunction with the financial statements and the related notes included elsewhere in this Offering Circular. See "*Index to Financial Statements*".

Consolidated Statements of Profit or Loss

	For the year ended 31 December		
	2022	**2023**	**2024**
		(₱ millions)	
INTEREST INCOME			
Loans and receivables	34,970	49,407	61,051
Trading and investment securities	9,755	13,239	15,965
Others	1,110	3,643	2,067
	45,835	**66,289**	**79,083**
INTEREST EXPENSE			
Deposit liabilities	10,057	28,035	31,108
Bills payable and other borrowings	4,562	4,625	5,474
	14,619	**32,660**	**36,582**
NET INTEREST INCOME	**31,216**	**33,629**	**42,501**
IMPAIRMENT LOSSES – NET	**5,706**	**6,888**	**8,619**
Financial assets	5,347	6,677	8,337
Non-financial assets	359	211	282
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	**25,510**	**26,741**	**33,882**
OTHER OPERATING INCOME			
Service fees and commissions	5,469	6,658	8,485
Foreign exchange gains (losses) - net	1,567	(15)	(1,976)
Trading and securities gains (losses) - net	(37)	444	1,495
Gain on assets sold - net	3,088	6,714	1,352
Share in net earnings (loss) of subsidiaries and associates	32	92	85
Trust fees	415	423	-
Gain on disposal of subsidiaries	-	243	-
Miscellaneous – net	2,704	1,809	1,466
	13,238	**16,368**	**10,907**
TOTAL OPERATING INCOME	**38,748**	**43,109**	**44,789**
OTHER OPERATING EXPENSES			
Employee benefits	6,563	7,150	8,059
Taxes and licences	4,645	6,534	6,536
Occupancy and equipment-related	2,908	3,262	3,892
Depreciation and amortization	3,037	3,365	3,379
Miscellaneous	7,947	9,283	9,935
	25,100	**29,594**	**31,801**
PROFIT BEFORE TAX	13,648	13,515	12,988
TAX EXPENSE / (INCOME)	1,275	1,475	3,468
NET PROFIT	**12,373**	**12,040**	**9,520**
ATTRIBUTABLE TO:			
PARENT COMPANY SHAREHOLDERS	**12,080**	**12,218**	**9,520**
NON-CONTROLLING INTERESTS	**-**	**(1)**	**-**
	12,080	**12,217**	**9,520**
EARNINGS PER SHARE	**5.42**	**5.07**	**3.48**
Basic and diluted			

Consolidated Statements of Financial Position

	As of 31 December		
	2022	2023	2024
		(₱ millions)	
RESOURCES			
Cash and other cash items	18,078	19,875	23,003
Due from the Bangko Sentral ng Pilipinas	156,664	151,762	115,230
Due from other banks	5,836	14,892	14,569
Loans and receivables arising from reverse repurchase agreement	8,724	35,799	-
Trading and investment securities – net	374,365	330,742	429,086
Loans and receivables – net	558,869	649,929	742,497
Investments in subsidiaries and associates – net	379	509	600
Bank premises, furniture, fixtures and equipment – net	11,264	9,129	8,033
Investment properties – net	2,616	543	695
Deferred tax assets – net	3,740	5,775	6,052
Other resources – net	13,573	19,377	20,388
TOTAL RESOURCES	**1,154,108**	**1,238,332**	**1,360,153**
LIABILITIES AND EQUITY			
Deposit Liabilities	857,244	956,712	1,022,794
Bills payable	66,660	50,858	86,616
Bonds payable	74,411	34,939	26,935
Accrued taxes, interest and other expenses	8,428	12,082	11,667
Other liabilities	31,004	31,466	53,650
TOTAL LIABILITIES	**1,037,747**	**1,086,057**	**1,201,662**
EQUITY			
Attributable to:			
Parent Company Shareholders	116,353	152,269	158,485
Non-controlling Interests	8	6	6
	116,361	**152,275**	**158,491**
TOTAL LIABILITIES AND EQUITY	**1,154,108**	**1,238,332**	**1,360,153**

Selected Financial Ratios

	As of 31 December		
	2022	2023	2024
	(%, except as otherwise indicated)		
Return on assets(1)	1.20%	1.06%	1.07%
Return on shareholders' equity(2)	11.24%	9.53%	6.03%
Net interest margin(3)	3.70%	3.43%	3.88%
Cost-income margin(4)	56.46%	59.19%	59.54%
Loans-to-deposits(5)	66.62%	71.70%	72.66%
Tier I capital adequacy ratio(6)	14.42%	16.53%	15.18%
Total capital adequacy ratio(7)	15.29%	17.37%	16.08%
Total equity-to-total assets(8)	10.08%	12.30%	11.65%
Total non-performing loans to-total loans – excluding interbank loans(9)	2.10%	1.75%	2.55%
Total non-performing loans-to-total loans – including interbank loans(10)	2.03%	1.68%	2.44%
Allowance for loan impairment losses to total gross loans(11)	2.60%	2.44%	2.46%
Allowances for loan impairment losses-to- total non-performing loans(12)	68.27%	69.18%	57.22%
Earnings per share (₱)(13)	3.09	5.07	3.48

Notes:
(1) Net profit divided by average total resources for the period indicated.
(2) Net profit divided by average total capital funds for the period indicated.
(3) Net interest income divided by average interest-earning assets.
(4) Total operating expenses divided by the sum of net interest income and other income.
(5) Total gross loans divided by total deposits.
(6) Tier I capital divided by total risk-weighted assets.

(7) Total qualifying capital divided by total risk-weighted assets .
(8) Total capital funds divided by total resources.
(9) Total non-performing loans divided by total loans excluding interbank loans.
(10) Total non-performing loans divided by total loans including interbank loans.
(11) Total allowance for loan impairment losses divided by total gross loans.
(12) Total allowance for loan impairment losses divided by non-performing loans.
(13) Net profit divided by weighted average common shares.

INVESTMENT CONSIDERATIONS

An investment in the Bonds involves a number of investment considerations. You should carefully consider all the information contained in this Offering Circular including the investment considerations described below, before any decision is made to invest in the Bonds. The Bank's business, financial condition and results of operations could be materially adversely affected by any of these investment considerations. The market price of the Bonds could decline due to any one of these risks, and all or part of an investment in the Bonds could be lost. The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to be exhaustive. Prospective Bondholders are encouraged to make their own independent legal, tax, financial, and business examination of the Bank, the Bonds, and the market. None of the Bank, the Joint Arrangers, the Selling Agents or the Lead Arranger/s and Bookrunner/s make any warranty or representation on the marketability or price on any investment in the Bonds.

CONSIDERATIONS RELATING TO THE PHILIPPINES

Substantially all of the Bank's operations and assets are based in the Philippines and therefore any downturn in general economic conditions in the Philippines could have a material adverse impact on the Bank

Substantially all of the Bank's business operations and assets are based in the Philippines. As a result, the Bank's income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency and the imposition of exchange controls.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency and the imposition of exchange controls. The country's GDP growth also stagnated in 2020 as a result of the COVID-19 pandemic. According to data published by the Philippine Statistics Authority, the Philippines' GDP in 2020 contracted by 9.5%. In 2021, the Philippine economy recovered and expanded by 5.7%. year-on-year as the lifting of pandemic-related restrictions stimulated business activity. The growth, which put the economy on track to return to its pre-pandemic level, was driven by increased household consumption, government expenditure and public construction. The growth continued in 2022 when the country's GDP expanded to 7.6%, surpassing the government's projection of 6.5% to 7.5%. The expansion is among the strongest in Southeast Asia and was driven by the services and industry sectors, with production in most subsectors reverting to its pre-pandemic levels. The Philippines' 2023 GDP growth was at 5.6%. This was driven by the strength in domestic demand given higher household consumption and investments, particularly public infrastructure. In 2024, Philippine GDP growth stood steady at 5.6%, with services and industry remaining the main drivers. Domestic demand also remained strong as all major expenditure items showed robust expansions. As domestic and external headwinds persist in 2025, the government will continue implementing growth-enhancing strategies to ensure that the Philippines remains on track with its medium- to long-term goals set under the Philippine Development Plan 2023-2028. Key domestic and external risks in 2025 include weather disturbances, extreme natural disasters, an acute and protracted global economic slowdown in major economies, ongoing geopolitical tensions and conflicts, trade wars, and protectionist trade policies, especially in the US.

For the year ended 31 December 2024, the fiscal deficit of the Philippines was ₱1.5 trillion, equal to 5.7% of the GDP for that period, according to the Philippine Bureau of Treasury. This was slightly lower than the programmed fiscal deficit of ₱1.9 trillion for 2021, equal to 9.3% of the GDP of the Philippines, due to higher revenue collections and lower public expenditures compared to the full year program. For the year ended 31 December 2020, the fiscal deficit was lower at ₱1.4 trillion or 5.6% of GDP. For the year ended 31 December 2023, the fiscal deficit was ₱660 billion. There can be no assurance that the budget deficit will not increase, that measures will be taken to reduce the current deficit or that, if taken, such measures will be successful.

These foregoing developments and a slowdown or recession in the U.S. and or other large economies may adversely affect the Philippine economy.

The Philippine economy likewise faces risks stemming from shifting international trade policies. Notably, the heightened uncertainty and market volatility arising from the imposition by the U.S. of reciprocal tariffs on most nations in general, and the continuing trade war between the U.S. and China in particular. These could slow down Philippine exports as well as investments, employment, loan demand, and overall economic growth, which may, in turn, negatively impact sales and earnings, thereby reducing the ability to pay off some borrowers and leading to lower interest income and higher non-performing loans ("**NPLs**") for the Bank. Furthermore, uncertainties surrounding the trade war may limit rate cuts by the U.S. Federal Reserve and the Bangko Sentral ng Pilipinas and potentially reduce trading gains and other investment income for the Bank.

Other factors that may adversely affect the Philippine economy include:

- reduced business, industrial, manufacturing or financial activity in the Philippines or elsewhere in Southeast Asia;
- scarcity of credit or other financing available to the Government, corporations or individuals in the Philippines;
- fluctuations in currency exchange rates and interest rates or prolonged periods of inflation or deflation;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence and income; a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings; significant changes to the Government's economic, social or tax policies;
- the occurrence of health and health-related outbreaks such as COVID-19, monkey pox, the Middle East respiratory syndrome or the outbreak of swine or avian flu (such as the African Swine Fever) or any other epidemic, in Southeast Asia or other parts of the world;
- the rising price of fuel despite announcements from large economies that they will tap their crude reserves as the Russia-Ukraine conflict continues;
- natural disasters, including tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- the uncertainty of shifting international trade policies; and
- other regulatory, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any deterioration in economic conditions in the Philippines as a result of these or other factors, including a significant depreciation of the Peso or increase in interest rates, could materially adversely affect the Bank's borrowers and contractual counterparties. This, in turn, could materially and adversely affect the Bank's financial condition and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets and its ability to implement the Bank's business strategy.

The Bank faces risks related to public health epidemics in the Philippines and globally and the impact on the Bank's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted

The worsening of an outbreak or a new outbreak of an infectious disease including the outbreak of diseases such as COVID-19, African Swine Fever, dengue, polio, monkey pox, severe acute respiratory syndrome, Middle East respiratory syndrome and avian influenza or bird flu, in the Philippines, Asia or elsewhere, together with any resulting restriction on travel, imposition of quarantines and/or business shutdowns, could have a negative impact on the economy and business activities in the Philippines or Asia generally and could therefore materially and adversely affect the Bank's business, financial condition and results of operations, including its liquidity, asset quality and growth.

There can also be no assurance that the policies and controls for outbreak prevention and disease recurrence will be successful in preventing disease outbreaks or recurrences or that any actual or suspected outbreak of bird flu, COVID-19 or any other contagious disease affecting the Philippines or elsewhere will not occur. There can also be no assurance that any current or future outbreak of contagious diseases will not have a material adverse effect on the Bank's business, financial condition, and results of operations.

The extent to which the health and health-related pandemic impacts may affect the Bank's business, results of operations and financial condition will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of such incidents both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

Credit ratings of the Philippines and Philippine companies could materially and adversely affect the Bank and the market or price of the Securities

In 2014, international credit rating agency Moody's Investors Service (**Moody's**) upgraded its credit rating for the Philippines to "Baa2", and in April 2019, international credit rating agency Standard & Poor's (**S&P**) upgraded its credit rating for the Philippines to "BBB+". Moody's affirmed its rating in 2018. In December 2017, Fitch Ratings upgraded its credit rating for the Philippines to BBB and affirmed the rating in February 2020. In December 2021, Moody's lowered the deposit and senior unsecured ratings of the Bank from "Baa2" to "Baa3" driven by the Bank's weak asset quality and deterioration in capital. All ratings are above investment grade and the highest that the Philippines has received so far from any credit ratings agency.

In June 2024, Fitch retained the sovereign rating of "BBB" with a "Stable" outlook, citing the Philippines' strong medium-term growth, which supports a gradual reduction in government debt/GDP over the medium term and the large size of the economy relative to "BBB" peers. In August 2024, Moody's affirmed the country's long-term local and foreign currency issuer and senior unsecured ratings at "Baa2" with a "stable" outlook, citing as key factors the country's reforms to liberalize the economy, fiscal consolidation efforts, and robust macroeconomic fundamentals. On 26 November 2024, S&P affirmed the Philippine's investment-grade long-term credit rating of "BBB+" short-term rating of "A-2" with a "stable" outlook. The agency mentioned that its improved institutional assessment supports a positive outlook for the Philippines, driven by strengthening institutional settings, robust economic recovery, and reforms enhancing business and investment conditions. The country's ratings reflect strong economic growth potential and a solid external position. While pandemic-related fiscal deterioration thinned prior buffers, fiscal consolidation is underway. However, low GDP per capita relative to peers remains a constraint.

The government is continuing its fiscal consolidation, with a lower deficit and stabilizing debt burden. The country's external position remains a rating strength, although current account deficits in recent years have decreased net external assets.

With investment grade status from three credit rating agencies, the Philippines is now eligible to be part of investment grade indices. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. The ratings of the Government directly affect companies resident in the Philippines, as international credit rating agencies issue credit ratings by reference to that of the sovereign.

No assurance can be given that international credit rating organizations will not downgrade the credit ratings of the Philippines or Philippine companies. Any such downgrade could have an adverse impact on liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Bank, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on the Bank.

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

During the last decade, the Philippine economy has from time to time experienced significant depreciation of the Peso and limited availability of foreign exchange. In July 1997, the BSP announced that it would allow market forces to determine the value of the Peso. As a result, from 30 June 1997 to 31 December 2003, the Peso experienced periods of significant depreciation and declined from ₱29.0 = U.S.$1.0 (average) in July 1997 to ₱56.3 = U.S.$1.0 as of 31 December 2004. Although the Peso has fluctuated against the U.S. dollar, the Peso in the past couple of years has strengthened against the U.S. dollar due to positive investor sentiment and increases in dollar flows both from foreign investors and overseas Filipino workers (**OFWs**). As at 31 December 2023, according to BSP data, the Peso appreciated by 0.98% to ₱55.57 per U.S.$1 from ₱56.12 per U.S.$1 at the end of 2022. As at 27 December 2024, the Peso stood at ₱58.01 against the U.S. dollar, and as of 7 May 2025, the reference rate was at ₱55.396 per U.S.$1.0, per Bankers Association of the Philippines ("**BAP**") data.

Nevertheless, like all emerging markets, the Philippines is not immune to volatilities in the global financial and capital markets and changing investor risk appetites that could trigger capital outflows and put pressure on the Peso. Given this, a decline in the value of the Peso as regards foreign currencies may affect the ability of the Bank's customers to service debt obligations denominated in foreign currencies and increase NPLs. There can be no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Bank.

Moreover, the value of the Peso against the U.S. dollar and other currencies may be adversely affected by a strengthening of the U.S. economy, rise of interest rates in the U.S., escalation of the ongoing trade war between the U.S. and China involving the imposition of tariffs and the adoption of protectionist trade policies by the U.S., global uncertainties caused by the Russo-Ukrainian War, the Israel-Palestine conflict, and other events affecting the global markets or the Philippines, causing investors to move out their investment portfolios, funds, or capital from the Philippines. Such fund outflow from the Philippines may result in volatility in the value of the Peso against foreign currencies.

Under BSP guidelines, the Bank is required to match FCDU liabilities with foreign currency assets in its FCDU books. As of 31 December 2024, on a non-consolidated basis, the Bank had ₱1,353.15 billion of resources and ₱1,194.67 billion of liabilities (of which ₱369.43 million of resources and ₱354.97 million of liabilities were in its FCDU books). The Bank has entered into foreign exchange forward contracts as a means of hedging against foreign currency fluctuations. More importantly, it is the Bank's policy to extend foreign exchange loans only to entities with natural or regulatory hedge (exporters or those with foreign exchange adjustment mechanisms like utilities). However, there can be no assurance that the Bank will be able to successfully hedge its exposure to foreign currency risks.

In early 2007, the BSP liberalized its foreign exchange policies pertaining to current account and capital account transactions as well as to prudential regulations. The policies were further liberalized on 7 June 2021, through BSP Circular No. 1120, which provides that the consolidated net open foreign exchange position on either overbought or oversold positions of banks shall not exceed 25% of its qualifying capital or U.S.$150 million. However, the BSP's liberalization of its foreign exchange policies has its downside. While it encourages freer dollar inflows, it also opens up the country to a greater magnitude of capital flight at the first sign of market volatility.

Ongoing volatility experienced in the international capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants

The ongoing volatility experienced in the international capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in countries in the emerging markets may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets.

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

The Philippines has from time to time experienced political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there were instances of political instability, including public and military protests.

On 27 March 2014, the Government and the Moro Islamic Liberation Front (**MILF**) signed a peace agreement, the Comprehensive Agreement on Bangsamoro. On 10 September 2014, a draft of the Bangsamoro Basic Law (**BBL**) was submitted by then President Aquino to Congress. The BBL is intended to establish the Bangsamoro political entity in the Philippines and provide for its basic structure of government, which is designed to replace the existing Autonomous Region in Muslim Mindanao. Following the Mamasapano incident where high-profile terrorists clashed with armed members of the Bangsamoro Islamic Freedom Fighters and MILF leading to the deaths of members of the Special Action Force of the Philippine National Police, MILF, the Bangsamoro Islamic Freedom Fighters, and several civilians, the Congress stalled deliberations on the BBL. The Board of Inquiry on the Mamasapano incident and the Senate released their reports on the Mamasapano incident. On 27 March 2015, former President Aquino named a Peace Council consisting of five original members to study the draft BBL. 17 co-convenors were later named as part of the Peace Council. The Peace Council examined the draft law and its constitutionality and social impact. The Peace Council Members testified before the House of Representatives and the Senate, and submitted their report, which endorses the draft BBL but with some proposed amendments. On the 13th and 14th of May 2015, the Senate conducted public hearings on the BBL in Zamboanga and Jolo, Sulu, with the Zamboanga City government and sultanate of Sulu opposing their inclusion in the proposed Bangsamoro entity. On 6 June 2017, the Bangsamoro Transition Commission approved the final draft of the BBL. The final draft was submitted to President Rodrigo Duterte in the presence of Congress on 17 July 2017. On 20 September 2017, President Duterte gave verbal commitments to certify as urgent the BBL in order to facilitate the immediate passage of the bill. On 1 February 2018, President Duterte gave further verbal commitments to have the BBL passed before any charter change to the Constitution, and the administration remains to expect the passage of the bill by March 2018. In July 2018, the Philippine Congress passed and President Duterte signed the BBL, which will create the Bangsamoro Autonomous Region of Muslim Mindanao (**BARMM**) in the Philippines' southern island of Mindanao. The BBL is the result of decades-long peace negotiations between Muslim rebel groups (primarily the MILF) and the Government and grants, among other concessions, greater fiscal autonomy and incentives to Muslim Mindanao. On 25 January 2019 and 6 February 2019, plebiscites were held where voters ratified the BBL and affirmed the creation of the BARMM. Transition plans are in effect, and the BARMM is in the process of drafting its own local government code. It is expected that the signing of the BBL and the creation of the BARMM will end rebellion in Mindanao as part of the deal for its signing was the decommissioning of MILF troops and the creation, in its stead, of a political party which will be involved in the governance of the BARMM.

On 9 May 2022, national and local elections were held throughout the Philippines, including the election of the president and vice president of the Republic, and elections for 12 senators and all members of the House of Representatives. President Ferdinand "Bongbong" R. Marcos, Jr. of the Partido Federal ng Pilipinas and Vice President Sara Z. Duterte of Lakas-CMD were elected and took office on 1 July 2022, marking the end of former President Rodrigo R. Duterte's six-year term. The next national and local elections in the Philippines are scheduled for May 2025.

In his third State of the Nation Address on 22 July 2024, President Marcos delivered a comprehensive discourse on the significant accomplishments and future directives of his administration. The address covered critical sectors such as agriculture, water supply, climate change, infrastructure and health.

Starting with agriculture, President Marcos noted that local production remained a priority as well as providing support to farmers and preventing smuggled agri-fisheries products. On the topic of water supply, President Marcos noted that the government had enhanced irrigation systems, including solar powered irrigation projects, and expects the Jalaur River Multi-Purpose Project to benefit agricultural land in the area. Addressing climate change, President Marcos emphasised various mitigation and related measures and cited the Philippines' seat on the Board of the Loss and Damage Fund.

In terms of infrastructure development, President Marcos reported on developments in IT and power infrastructure, including completing Phase 1 of the National Fiber Backbone project. Transport infrastructure developments included completion and/or upgrades of key roads and bridges. The administration also cited enhancements at the Ninoy Aquino International Airport to accommodate more flights and passengers. In August 2019, San Miguel Holdings Corp., the infrastructure subsidiary of San Miguel Corp (SMC) won the bidding for the ₱735 million New Manila Airport, an international gateway project situated in Bulacan province. The 2,500-hectare NMIA project will feature at least four parallel runways, a world-class terminal and a modern and interlinked infrastructure network that includes expressways and railways. SMC is set to begin development works by 2025. In February 2024, the SMC SAP & Co. Consortium led by SMC won the bidding for the ₱170.60 billion Ninoy Aquino International Airport (NAIA) rehabilitation project. This project includes the rehabilitation of passenger terminals and airside facilities such as runway, aircraft parking area and airfield lighting, and the provision of facilities that will enable intermodal transfers at the terminal. The SMC SAP & Co. Consortium will have a 15-year concession period to implement the project, which can be extended by ten years, if needed. There can be no assurance that actions taken by the current administration or other political actors will not lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Bank's businesses, prospects, financial condition and results of operations.

From an international perspective, the International Criminal Court ("**ICC**") conducted an inquiry on the "war on drugs" of former President Rodrigo Duterte, which was thereafter suspended in 2021 after the Philippine government asked the ICC to defer its investigation arguing that the national authorities were already investigating the same allegations domestically. On the other hand, the ICC prosecutor asked that he be authorized to resume investigation, noting that the domestic proceedings did not amount to an investigation that would sufficiently mirror the ICC's. On 26 January 2023, the ICC ruled to resume investigation. While the Philippine government appealed the ICC's decision, this was subsequently denied in July 2023 with the Philippine government contending that the ICC has no jurisdiction to investigate former President Duterte's "war on drugs" campaign and insisting that the country's judicial system can sufficiently conduct such investigation. On 11 March 2025, the ICC issued, and Philippine authorities assisted in executing an arrest warrant, and thereafter transferred custody of former President Duterte to the ICC.

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

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. An increase in the frequency, severity or geographic reach of terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

Moreover, there were isolated bombings in the Philippines in recent years, mainly in regions in the southern part of the Philippines, such as the province of Maguindanao. Although no one has claimed responsibility for these attacks, it is believed that the attacks are the work of various separatist groups, possibly including the Abu Sayyaf organization. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

The Government and the Armed Forces of the Philippines have also clashed with members of several separatist groups seeking greater autonomy, including the MILF, the Moro National Liberation Front and the New People's Army.

On 23 May 2017, a terrorist group led by the Maute group, which pledged allegiance to the Islamic State of Iraq and the Levant, captured parts of Marawi City in Lanao del Sur to allegedly establish an Islamic State caliphate in Mindanao. In response, President Duterte issued Proclamation No. 216, declaring martial law, suspending the privilege of writ of habeas corpus in Mindanao, and allowing warrantless arrests for those connected with the crisis. The Congress also granted the request of President Duterte to extend martial law in Mindanao until 31 December 2017. On 17 October 2017, President Duterte declared the liberation of Marawi City from terrorists and the beginning of the rehabilitation of Marawi City. Despite the declaration of the liberation of Marawi City, Congress extended martial law in Mindanao until 31 December 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. Martial law in Mindanao was lifted on 1 January 2020, and the state of emergency was lifted thereafter. However, in certain areas in Mindanao, law enforcement groups remain in heightened security as a measure against potential terror threats. The clashes resulted in the loss of lives of civilians, soldiers, and ISIS-inspired extremists, as well as damage to the property and livelihood of Marawi residents. Reconstruction of the city is ongoing, with the help of various aid groups.

On 29 January 2019, a terrorist bombing that killed 20 and injured 100 took place in a Catholic church in Jolo in Mindanao. In September 2021, the Philippines was on heightened alert following a warning from Japan's Foreign Ministry of increased risks of terror attacks in the country. Similar attacks or conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military personnel, which could destabilize parts of the country, adversely affect the country's economy, and in turn, affect parts of the Bank's businesses. Any such destabilisation could cause interruption to parts of the Bank's businesses and materially and adversely affect its financial conditions, results of operations and prospects. On 3 July 2020, Congress enacted Anti-Terrorism Act of 2020 (Republic Act No. 11479), which drew criticism from various sectors due to some of its controversial provisions on warrantless arrests and its broad definition of terrorist acts. The Supreme Court upheld the constitutionality of the law, save for two provisions, one pertaining to a vague proviso qualifying the definition of terrorism and another giving the anti-terrorism council wide discretion in granting requests of foreign bodies or agencies to designate persons as terrorists or entities as terrorist organizations.

In November 2023, President Marcos issued presidential proclamations granting amnesty to former members of the Communist Party of the Philippines - New People's Army - National Democratic Front (CPP-NPA-NDF) and their front organizations, among other rebel groups. The amnesty is granted to former rebels who apply for and qualify under the respective proclamation. In November 2023, President Marcos issued presidential proclamations granting amnesty to members of the Moro Islamic Liberation Front (MILF) and the Moro National Liberation Front (MNLF), and former members of the CPP-NPA-NDF, among other rebel groups. The amnesty, however, excludes individuals who had committed certain egregious crimes and violations as defined in the Revised Penal Code, the Human Security Act of 2007, the Anti-Terrorism Act of 2020, the Comprehensive Dangerous Drugs Act of 2002, and the Geneva Convention of 1949. Congressional approval is required for this amnesty to become effective, and in March 2024, the Senate and House of Representatives concurred with the separate presidential proclamations.

An increase in the frequency, severity, or geographic reach of terrorist acts could adversely affect the country's economy. No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. An unstable political or social environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Bank's business, financial condition and results of operations.

The push for charter change has been causing political unrest which could adversely affect the Bank's financial condition, results of operations and cash flows

Despite constitutional reform being a divisive issue in the Philippines, the Duterte administration considered it a legislative priority to amend the Philippine Constitution (**Charter Change**) primarily to change the form of Government from a unitary one to a federal one. The shift to a federal form of government was among former President Duterte's key promises during his election campaign in 2016. Former President Duterte believed that the shift would promote peace, especially in conflict-torn Mindanao, curb poverty nationwide and empower local government units in the Philippines.

The House of Representatives took various steps toward the establishment of a Philippine federal structure of government. On 16 January 2018, the House of Representatives passed Joint Resolution No. 9, proposing that both the Senate and the House of Representatives transform into a Constitutional Assembly with the authority to amend the Constitution. On 17 January 2018, the subcommittee on constitutional amendments of the House of Representatives presented its proposed amendments to political provisions of the current Constitution, including the establishment of a Federal Republic divided into five states: Luzon, Metro Manila, Visayas, Bangsamoro and Mindanao. Each state, under the said proposal, would have a unicameral state assembly with legislative powers and a premiere with executive powers. The subcommittee likewise proposed to establish a parliament with a 300-member Federal Assembly as the national legislative department and a Senate as the regional legislative body. Meanwhile, the President would remain as head of state under the proposal, and would have a term of five years with one re-election, whereas a Prime Minister would be constituted as the head of the Government and would be elected by members of the Philippine parliament.

With respect to proposed amendments to economic provisions of the current Constitution, the House of Representatives subcommittee also proposed to delete certain provisions in the current Constitution providing foreign nationality restrictions, particularly in the following areas: exploitation, development and utilisation of natural resources, ownership of alienable lands, franchise on public utilities, practice of profession, ownership of educational institutions, mass media and advertising. Business groups in the Philippines believe that such amendments will enable the Government to achieve its goal of sustainable and inclusive economic growth, and that an increase in foreign investments would create more job opportunities for Filipinos.

The Speaker of the House of Representatives has posited that the House of Representatives alone may proceed to amend the Constitution even without the concurrence of the Senate, but senators insisted that the lower house of Congress must wait for Senate concurrence to formally begin proposing amendments to the Constitution. The impasse between the two chambers resulted in a crisis of government administration, causing conflicts among different political groups. In addition, while President Duterte stated that he wishes to step down from office at the end of his six-year term in 2022, critics believed that Charter Change would have paved the way for Duterte to perpetuate his political power and begin an authoritarian regime over the archipelago.

Former President Duterte created a Consultative Committee (Con-Com) to draft the proposed federal charter, and on 9 July 2018, the Con-Com formally submitted its draft federal charter to President Duterte. Under the draft federal charter, the Philippines would be divided into 18 autonomous federal regions which are given more power for self-governance than under the present Philippine Constitution. The federal regions were to be granted greater powers over socioeconomic planning, land use, financial administration and management under the proposed federal charter. The central government, on the other hand, would retain powers over national security and defence, international relations and diplomacy, customs and tariff, federal crimes and implementation of the criminal justice system. In addition, the draft federal charter would have increased the number of senators from 24 to 36 and congressmen from 297 to 400. Concerns were raised, however, regarding the financial viability of the proposed shift to federalism. The Philippines' Finance Secretary, Carlos Dominguez, stated that he would vote against the draft federal charter as it could result in a "financial nightmare". Similarly, Socioeconomic Planning Secretary Ernesto Pernia said that the shift could "wreak havoc" on the Philippine economy. These criticisms came as Filipino economists raised issues about the monetary cost of the proposed shift to federalism and the possibility of hyperinflation resulting from expected overspending in the federal regions. In June 2019, President Duterte changed his tune on federalism and has expressed that he will no longer be pushing for a shift from a unilateral to a federal form of government. He, however, has continued to promote other changes to the Philippine Constitution.

In December 2019, the Committee on Constitutional Amendments of the House of Representatives approved four proposals to amend the 1987 Constitution for the consideration of the full House. These four proposals included the following amendments: (1) empowering Congress to relax the limits to foreign investments in the country by enacting a law; (2) tandem voting for the President and the Vice President of the Philippines; (3) five-year terms for senators, congressmen, and local executives with a maximum of three consecutive terms; and (4) the election of senators by region with three senators per region and the Philippines divided into nine regions. On 21 January 2020, however, it was announced that the approval by the Committee on Constitutional Amendments would be recalled, after the Department of Interior and Local Government – Inter-Agency Task Force on Constitutional Reform submitted further proposed amendments to the 1987 Constitution. The Committee on Constitutional Amendments announced that it would consider these new proposals and integrate them into any future committee report alongside the four proposed amendments, if any of them were found viable.

On 9 January 2022, the 150-day election period for national and local elections started. To be elected for national positions are the president, vice president, and 12 senators. For the House of Representatives, 249 seats are available for district members while 62 seats are available for party-list representatives; while local positions are governors, vice-governors, provincial board members, city mayors, city vice mayors, city councillors, municipal mayors, municipal vice mayors, and municipal councillors. Any push for charter change will depend on the results of the elections on 9 May 2022 and the agenda of the next administration.

In March 2023, the Resolution of Both Houses (RBH) No. 6 was approved which calls for a constitutional convention to amend the 1987 Philippine Constitution. In the same month, the House of Representatives passed House Bill (HB) No. 7352 backing the election of delegates in a Constitutional Convention. Under the said bill, members of the Constitutional Convention will comprise appointees from Congress and delegates from each district selected by the voting public through an election held simultaneously with the Barangay and Sangguniang Kabataan elections in 2023. On 27 August 2024, hearings on RBH No. 6 were formally ended, as the issue on whether the Senate and the House of Representatives should vote jointly on the proposed amendments to the Constitution remained unresolved.

Due to the Bank's businesses being subject to extensive regulation from the Government and also dependent upon economic stability, the potential for instability and unrest may have a material adverse effect on the Bank and its financial condition, results of operations and prospects.

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

While a principal objective of the Philippine securities laws and the listing rules of the Philippine Stock Exchange (**PSE**) is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. Furthermore, although the Bank complies with the requirements of the PSE with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Manual of Regulation for Banks requires the Bank to have at least two independent directors or such number of independent directors as is equal to one-third of the board of directors of the Bank (the **Board of Directors**), and any fractional result from applying the minimum one-third portion must be rounded up to the nearest whole number. BSP Circular 1129, Series of 2021 amended BSP Circular No. 969, adding a maximum cumulative term for independent directors set to nine years. Once the maximum cumulative term has been reached, the independent director shall be perpetually barred from serving as an independent director in the same bank, but may serve as a regular director. This maximum cumulative term rule shall be reckoned from 2012. The Bank usually has two independent directors. Many other jurisdictions require significantly more independent directors.

Corporate governance standards for public companies in the Philippines may differ from those in developed countries. Rules against self-dealing and protecting public shareholders' interests may be less defined and enforced, potentially disadvantaging public shareholders. As a result, directors of Philippine companies may have more conflicts of interest, leading to actions that may not align with the best interests of public shareholders.

Financial statements of Philippine banks are prepared in accordance with PFRS for Banks which requires the use of certain critical accounting estimates. Management of institutions are to use their own judgment to come up with estimates on certain statement of condition and income statement accounts such as, but not limited to, impairment losses on loans and receivables; fair value of derivatives; impairment of available-for-sale and held-to-maturity securities; and realization of deferred income tax assets among others.

The occurrence of natural catastrophes could adversely affect the Bank's business, financial condition or results of operations

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Group's operations. These factors, which are not within the Group's control, could potentially have significant effects on the Group's branches and operations.

On 16 December 2021, typhoon Odette struck central and southern parts of the Philippines and caused ₱13.3 billion in agriculture damage and ₱17.71 billion in infrastructure damage, among others. Typhoon Odette has triggered a partial payout for the government worth ₱2.7 billion from catastrophe-linked bonds issued by the World Bank.

On 10 April 2022, typhoon Agaton struck central Visayas, particularly Leyte. As of 21 April 2022, the cost of typhoon Agaton's damage was estimated at ₱2.8 billion.

On 5 June 2023, the alert status of Mayon Volcano was raised to Alert Level 2, and three days later, it was further raised to Alert Level 3, following a sharp increase in rockfall incidents from its summit lava dome. Alert Level 3 remains in effect, indicating that the volcano is at a relatively high level of unrest, with risks of a hazardous eruption still present.

The Philippines, ranked as one of the world's most vulnerable countries to the impacts of a warming planet, faces an average of 20 storms and typhoons each year. These storms typically devastate harvests, homes, and infrastructure in already impoverished areas. In November 2020, two typhoons, Super Typhoon Rolly/Goni and Typhoon Ulysses/Vamco, and in December 2021 and September 2022, Super Typhoon Odette/Rai and Super Typhoon Karding/Noru, respectively, brought heavy winds and rain. In July 2023, Super Typhoon Egay/Doksuri also caused significant destruction. In July and October 2024, respectively, Typhoon Carina and Kristine brought relentless rain, leading to widespread disruptions, including flight cancellations, suspended classes, flooding, landslides, and traffic jams in Metro Manila and parts of Luzon.

While the Group carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Group believes are in line with general industry practices in the Philippines, there are losses for which the Group cannot obtain insurance at a reasonable cost or at all. In addition, the Group carries business interruption insurance. However, should an uninsured loss or a loss in excess of insured limits occur, the Group could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Group's business, financial position and results of operations.

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

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea. The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under the United Nations Convention on the Law of the Sea. China rejected and returned the notice sent by the Philippines to initial arbitral proceedings.

On 12 July 2016, the five-member Arbitral Tribunal at the Permanent Court of Arbitration in The Hague, Netherlands, unanimously ruled in favour of the Philippines on the maritime dispute over the West Philippine Sea. The Tribunal's landmark decision contained several rulings, foremost of which invalidated China's "nine-dash line", or China's alleged historical boundary covering about 85% of the South China Sea, including 80% of the Philippines' exclusive economic zone in the West Philippine Sea. China rejected the ruling, stating that it did not participate in the proceedings on the grounds that the court had no jurisdiction over the case.

Without a formal enforcement mechanism, the territorial dispute remains unresolved and has resulted in tensions between Filipino and Chinese nationals at sea. On 9 June 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater feature claimed by both the Philippines and China. The Filipino fishermen were abandoned at open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines. The owners of the Chinese vessel have since apologised to the Filipino fishermen and promised to arrange remuneration for the fishermen.

In April 2020, China announced that it was setting up two new administrative districts in the Spratly Islands, part of the West Philippine Sea. On 23 April 2020, the Philippines announced that it had filed diplomatic protests against China's creation of the two new districts, as well as China's alleged pointing of a radar gun at a Philippine Navy ship in Philippine waters. Nevertheless, on 21 March 2022, it has been reported that China has fully militarized at least three of the several islands it built in the South China Sea.

In recent months, there has been an increased frequency and heightened intensity of confrontations between the Chinese Coast Guard and Philippine personnel in the West Philippine Sea. These incidents have led to public accusations and diplomatic protests from both countries. In August 2023, China Coast Guard vessels used water cannons against a Philippine resupply mission, preventing one of the boats from delivering its cargo. On 24 September 2023, the Philippine Coast Guard reported that the Chinese Coast Guard has installed a floating barrier near the Bajo de Masinloc (Scarborough Shoal) in the West Philippine Sea in an attempt to prevent Filipino fishermen from entering the Scarborough Shoal. In a special operation conducted the following day, the Philippine Coast Guard confirmed that it has removed and cut the floating barrier. In October 2023, the Philippines has lodged a diplomatic protest with China in response to a manoeuvre by Chinese vessels that led to collisions with Philippine ships on a resupply mission to the BRP Sierra Madre on Ayungin Shoal (international name: Second Thomas Shoal). On 30 April 2024, while Philippine government vessels were distributing fuel and food to the fisherfolk in the Scarborough Shoal, China coast guard vessels attacked them using high-pressure water cannons, causing damage to the vessels. This led the Philippine government to file another diplomatic protest against China. As of 13 January 2025, the Philippines has filed a total of 199 diplomatic protests against China during President Marcos' tenure, with 63 of these protests filed exclusively in 2024. Despite these protests, confrontations between the Chinese Coast Guard and the Philippine Coast Guard and civilian vessels continued throughout 2024, confrontations which include the use of grey-zone tactics by the Chinese Coast Guard such as water cannons, the ramming of vessels, and most recently, the use of acoustic devices and high-powered lasers.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tensions will not escalate further. While the Philippine government has thus far refused to escalate tensions and has avoided sending armed vessels from the Philippine Navy to confront Chinese incursions, China has taken steps to exercise control over the disputed territory. In such an event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Meanwhile, in February 2023, the Philippine and United States governments announced the designation of four new sites under the Enhanced Defense Cooperation Agreement. This expansion is seen as strengthening and making the alliance between the Philippines and the United States more resilient. South Asian nations and claimants involved in the West Philippine Sea dispute also continue to assert their sovereign rights against China and other South Asian nations.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Bank's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or the suspension of visa-free access and/or overseas Filipinos permits. Any impact from such disputes could materially and adversely affect the Bank's business, financial condition and results of operations.

CONSIDERATIONS RELATING TO THE PHILIPPINE BANKING INDUSTRY

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

The Bank is subject to significant levels of competition from many other Philippine banks and branches of international banks, including competitors which in some instances have greater financial and other capital resources, a greater market share and greater brand name recognition than the Bank. The banking industry in the Philippines is a mature market that has, in recent years, been subject to consolidation and liberalization, including liberalization of regulations relating to foreign ownership and foreign entrants. For instance, the introduction of the ASEAN Banking Integration Framework, which took effect on 1 January 2020, will allow qualified ASEAN banks to operate in the Philippines and vice versa. As of 31 December 2024, there were a total of 44 domestic and foreign universal and commercial banks operating in the Philippines. Of the commercial banks, two are private domestic banks, two are foreign bank subsidiaries, and 18 are branches of foreign banks. Of the universal banks, 13 are private domestic banks, three are government banks, and six are branches of foreign banks. The Philippines also has six digital banks, as of 31 December 2024.

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

- other Philippine banks and financial institutions with significant presence in Metro Manila and large countrywide branch networks;
- foreign banks, due to, among other things, relaxed standards which permitted large foreign banks to open branch offices;
- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources;
- continued consolidation in the banking sector; and
- more digital banks and non-bank financial technology companies entering the market.

There can be no assurance that the Bank will be able to compete effectively in the face of such increased competition. In addition, the Bank faces intense competition in areas it has identified for growth such as consumer loans and remittances. Increased competition may make it difficult for the Bank to increase the size of its loan portfolio and deposit base, as well as cause increased pricing competition, which could have a material adverse effect on its margins, results of operations and financial condition and inhibit the Bank's ability to implement its growth strategy.

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

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

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

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations. According to data published by the BSP, the average NPL ratios exclusive of interbank loans in the Philippine banking industry were 3.78%, 3.47% and 3.58% 31 December 2022, 2023 and 2024, respectively.

Philippine banks may experience limited liquidity due principally to a material asset-liability maturity mismatch

As with other Philippine banks, most of the Bank's funding requirements are met through short-term and medium-term funding sources, primarily in the form of time deposits, savings accounts and current accounts. Most of the Bank's time deposits are for periods of three months or less. As with other Philippine banks, many of the Bank's assets, however, have long-term maturities, creating the potential for funding mismatches. Although, historically, the Bank has been able to roll over most of its deposits on maturity, there can be no assurance that the Bank will continue to be able to do so in the future.

Although the Bank has not experienced liquidity problems in the past, there can be no assurance that the Bank will be able to maintain sufficient liquidity to cover customer withdrawals in the future, especially in the event of a future economic crisis. If a substantial number of the Bank's depositors do not roll over deposited funds upon maturity, or decide to withdraw their current account deposits, the Bank's liquidity position would be adversely affected. In particular, the Bank may have to rely on other sources of financing which may not be available at commercially attractive terms or at all. Any failure to obtain adequate funding, or a significant increase in funding costs, would have a material adverse effect on the Bank's liquidity, financial condition and results of operations.

The Bank's ability to assess, monitor and manage risks inherent in its business differs from the standards of its counterparts in more developed countries

The Bank is exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of the Bank's risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within the Bank may be incomplete or obsolete.

The Bank also developed credit screening standards in response to such inadequacies in quality of credit information that are different from, or inferior to, the standards used by its international competitors. As a result, the Bank's ability to assess, monitor and manage risks inherent in its business may not meet the standards of its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skill set and systems required to meet such standards, it could have a material adverse effect on the Bank's ability to manage these risks and on the Bank's financial condition, liquidity and results of operations.

Philippine banks are vulnerable to volatility in interest rates

Like most financial institutions, Philippine banks realize income from the margin, or "spread", between interest-earning assets, such as investments and loans, and interest paid on interest-bearing liabilities, such as deposits and borrowings. The business of Philippine banks, including the Bank, is subject to fluctuations in market interest rates as a result of mismatches in the repricing of assets and liabilities. These interest rate fluctuations are neither predictable nor controllable and may have a material adverse impact on the operations and financial condition of Philippine banks such as the Bank.

There is limited independent information on borrowers' credit history in the Philippines

Although the Philippines has a central credit agency, namely the Credit Information Corporation, which keeps information on Philippine borrowers' credit history, including information such as timeliness of loan repayments, the coverage and level of detail of information on Philippine borrowers is still fairly limited when compared to the availability of information in more developed countries. The absence of detailed information makes it difficult for Philippine banks to assess the creditworthiness of loan or credit card applicants, which may result in an increase in NPLs, credit card receivables or provisions for losses.

Enforcement difficulties may prevent lenders from recovering the assessed value of collateral when the Bank's borrowers default on their obligations in the Philippines

Philippine banks may not be able to fully recover collateral or enforce any guarantees due, in part, to legal uncertainties in enforcing such rights. Although the law provides for expedited procedures for the enforcement of certain types of collateral, in practice, lenders generally end up submitting a petition to a Philippine court or face challenges by borrowers which could result in delays that can last several years and lead to deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables.

In addition, such collateral may not be insured. In the past, these factors have exposed, and continue to expose lenders in the Philippines, to legal liability while in possession of collateral. The current difficulty of bringing enforcement actions under the Philippine legal system significantly reduces the ability of lenders to realize the value of collateral located in the Philippines and therefore the effectiveness of taking a secured position on loans to Philippine borrowers. In addition, there can be no assurance that lenders will be able to realize the full value, or any value, of any collateral located in the Philippines in a bankruptcy or foreclosure proceeding or otherwise, especially as the value of secured assets such as real property and inventory has been, and may continue to be, negatively affected by the current political, economic and social conditions in the Philippines.

Increased enforcement by the Government of regulations relating to priority lending for agrarian reform and the agricultural sector could adversely affect the Group's business, financial condition and results of operations

In support of government efforts to strengthen rural development, Philippine banks, under Republic Act No. 10000 or the Agri-Agra Reform Credit Act of 2009, as amended by Republic Act No. 11901, or the Agricultural, Fisheries and Rural Development Financing Enhancement Act of 2022 (Agri-Agra Law), are required to allocate 25% of their total loanable funds to agriculture and fisheries credit in general. The law gives more flexibility to the banks in extending credit to the agriculture and agrarian reform sectors, as the law removed the required allocation of credit between the agrarian reform beneficiaries (10%) and agricultural beneficiaries (15%). Under the Agri-Agra Law, banks may also comply through the various alternative forms of compliance.

As of 31 December 2024, the requirement applicable to the Group was ₱18.606 billion for agriculture, fisheries, and rural development (AFRD). Because the Group is unable to generate sufficient exposure to agrarian reform and the agricultural sector due to its prudent credit and risk management policies, the Group has paid penalties in the past and may continue to do so in the future. While regulatory changes, such as increased penalties for non-compliance, cannot be ruled out, there is currently no indication of any significant increase in penalties. Should the Bank be required to adjust its lending practices to meet future regulatory requirements that conflict with its credit and risk management policies, this could adversely affect its business, financial condition, and results of operations.

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

PFRS continues to evolve, and certain newly promulgated standards and interpretations taking effect at the beginning of a relevant year may affect the financial reporting of the Bank's businesses.

On 1 January 2027, PFRS 18, Presentation and Disclosure in Financial Statements becomes effective. This new standard impacts the classification of profit or loss items (i.e., 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 and introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how the Bank will recognise and measure its financial condition, financial performance and cash flows.

The International Sustainability Standards Board (ISSB) also issued IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, Climate-Related Disclosures, requiring an entity to disclose information about all sustainability- and climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. It also prescribes how an entity prepares and reports its sustainability- and climate-related financial disclosures and sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity. The SEC is yet to adopt IFRS S1 and S2 in the Philippines but has announced plans to release updated sustainability reporting guidelines and Sustainability Reporting (SuRe) Form to reflect the latest developments in global sustainability frameworks. As of 31 December 2024, this has not yet been issued. However, the SEC has announced it will implement the new guidelines following a phased timeline to ensure a smooth transition, beginning with mandatory sustainability reporting staggered across different tiers of publicly listed companies by 2026.

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

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

The Bank is subject to the taxation laws and regulations in effect in the Philippines. In the event of any changes to existing laws, the Bank's business, financial condition and results of operations could be materially affected.

On 1 January 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN Law) took effect. The TRAIN Law is the first package of the Government's Comprehensive Tax Reform Program (CTRP). It amended various provisions of the Philippine National Internal Revenue Code (Republic Act No. 8424, as amended by Republic Act No 10963, the Tax Code), including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax. The TRAIN Law also, amongst other things, doubled the tax on interest income in FCDUs to 15 % from 7.5 %, and increased the documentary stamp tax on debt instruments to ₱1.50 on each ₱200.00, or fractional part thereof, of the issue price of the debt instruments, such as bonds and notes.

On 11 April 2021, Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises (CREATE Law) took effect. The CREATE Law is the second package of the CTRP. It lowered the corporate income taxes from 30 % to 25 %, and further reduced the rate to 20% if the corporation's net income does not exceed ₱5 million and its total assets do not exceed ₱100 million, excluding the land where the business is located. It also provided other incentives such as (i) an income tax holiday for export enterprises and domestic market enterprises for a period of four to seven years, followed by the (a) Special Corporate Income Tax Rate of 5 % on gross income earned, in lieu of all national and local taxes, or (b) enhanced deductions for five or ten years; and (ii) tax-free exchanges for reorganizations, without the need to obtain a confirmatory ruling from the Bureau of Internal Revenue.

The third package of the CTRP is the Real Property Valuation Reform which aims to promote the development of a just, equitable, and efficient real property valuation system. It will broaden the tax base used for property and property-related taxes of the national and local governments, improving tax collections without increasing the existing tax rates or imposing new taxes.

On 13 June 2024, Republic Act No. 12001 or the Real Property Valuation and Assessment Reform Act (RPVARA) was signed into law, was published on 20 June 2024, and took effect on 5 July 2024. The RPVARA seeks the establishment of standards based Philippine Valuation Standards (PVS) to govern the valuation of real property in the Philippines, the adoption of Schedule of Market Values (SMVs), the separation of the function of valuation of real properties from the functions of tax policy formulation and administration of the taxes due thereon, and the provision of a comprehensive and up-to-date electronic database of all real property transactions, among others. The SMV shall be the single real property valuation base for the assessment of real property-related taxes in the country and for the valuation of real property for various transactions by all government agencies.

The fourth package of the CTRP or House Bill No. 304 ("**HB No. 304**"), also known as the Passive Income and Financial Intermediary Taxation Act ("**PIFITA Bill**"), intends to introduce reforms to the taxation of passive income, financial intermediaries and financial transactions. One of the reforms to be introduced is the unification of the tax rates for passive income through the imposition of a uniform rate of 15% (which would be a reduction from the prevailing 20 %) on interest income, dividends and capital gains on the sale of shares of stock. On 9 September 2019, the House of Representatives passed HB No. 304, or Package 4 of the TRAIN bill, on its third reading. Before HB No. 304 can become effective, it needs to be considered and approved by the Senate, which may impose further revisions on the bill. To date, HB No. 304 has yet to be enacted into law. In the event of any changes to existing laws, the Bank's business, financial condition and results of operations could be materially affected.

The Marcos administration urged Congress to support the following priority legislation on essential tax measures under the Medium-Term Fiscal Framework: (1) excise tax on single-use plastics; (2) VAT on digital services; (3) rationalization of the mining fiscal regime; (4) motor vehicle user's charge/road users' tax; (5) military and uniformed personnel pension; and (6) the fourth package of the CTRP.

On 5 January 2024, Republic Act No. 11976, known as the Ease of Paying Taxes (EOPT) Act, was signed into law and took effect on 22 January 2024. The EOPT Act aims to simplify tax filings, particularly for those classified as Micro and Small Taxpayers, by introducing the file-and-pay anywhere system and allowing most of the tax processes to be done online. It also included the shift to an invoice system to improve the registration process as well as to accelerate the processing of VAT refunds.

On 8 November 2024, RA No. 12066 or the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy ("**CREATE MORE**") was signed into law, amending the CREATE Act. The CREATE MORE establishes a simplified value-added tax ("**VAT**") refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies from ₱1 billion to ₱15 billion. Finally, the CREATE MORE also extends the maximum duration of the availment of tax incentives from 17 years to 27 years.

On 5 February 2025, the House of Representatives and the Senate approved and adopted a reconciled bill which consolidates Senate Bill No. 2865 and House Bill No. 9277 or the Capital Markets Efficiency Promotion Act ("**CMEPA**"). If enacted, or lapses into law, the CMEPA is set to take effect following its complete publication in the Official Gazette or in at least one newspaper of general circulation. The CMEPA bill proposes, among others: (i) removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) removal of preferential tax rates and exemptions for long-term deposits or investments in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments with a maturity period of not less than five (5) years, (iii) removal of the tax-exempt status of interest income received by non-residents, whether individuals or corporations, from transactions with depository banks under the expanded foreign currency deposit system, (iv) removal of the exclusion from gross income of gains from the sale of bonds, debentures, or other certificates of indebtedness with a maturity of more than five (5) years, (v) introduction of a new exclusion for gains arising from the sale of bonds issued by the Republic of the Philippines or its instrumentalities to finance programs under the Philippine Development Plan or other high-level priority programs of the government, (vi) exclusion from gross income of gains from redemption of a unit of participation in a mutual fund or unit investment trust fund, (vii) reduction of the stock transaction tax, which applies to sale of shares through a local or foreign stock exchange, from 0.6% to 0.1% of the gross selling price or gross value in money of the shares sold, (viii) the reduction of the documentary stamp tax on original issuance of shares from ₱2.00 for every ₱200.00 or 1% based on par value of shares issued, to 0.75%, and (ix) standardization of the final withholding tax rate on certain passive income to 20%, except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of 25%.

The Marcos administration further urged Congress to support the following priority legislations on essential tax measures under the Medium-Term Fiscal Framework: (1) Excise tax on single-use plastics; (2) VAT on digital services; (3) Rationalization of the mining fiscal regime; (4) Motor vehicle user's charge/road users tax; (5) Military and Uniformed Personnel Pension; and (6) the fourth package of the CTRP.

While the tax reform programs ensure fiscal sustainability, the dampening impact of higher taxes on consumer demand and affected industries (in terms of added costs), could slow down the country's growth pace and affect the Bank's business. Further, the new regulations (such as the fourth package of the CTRP and the CMEPA) may directly affect the business and results of operations of the Bank. Particularly, FCDU deposit levels and foreign bonds/loans in the country could also be potentially reduced amid lower interest income/passive income by FCDU depositors (denominated in US dollar and other foreign currencies) and by investors on foreign bonds/loans; high net worth funds could even be moved to countries with lower or no income tax on interest earnings from US dollar/foreign currency deposits and on foreign bonds/loans, especially by some of the wealthiest clients that are more inclined to do tax planning across countries/tax havens.

If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position, and results of operations. No assurance can be given that PIFITA and/or CMEPA will be passed in their present form. Any increase in taxes on the Bank will reduce the net income of the Bank, which may have a material and adverse effect on the Bank's business, results of operations and financial condition. Further, the expiration, non-renewal, revocation or repeal of any tax exemptions or tax incentives, the enactment of any new laws or increase in taxes, could have an effect on the Bank's business, financial condition and results of operations.

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

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

On 24 February 2022, Russia launched a full-scale invasion of Ukraine that resulted in massive humanitarian casualties from both sides, and in the destruction of infrastructure, roads, and physical properties in Ukrainian cities and in the Crimean region which was caused by the Russo-Ukrainian war from 2014. Trade and supply chain disruptions continue to cause political and economic tensions among member nations of the European Union, in the U.S. and, to some extent, in some Asian and African countries.

In March 2023, as a result of elevated interest rates and a sluggish economy, regional banks in the United States, namely Silicon Valley Bank, Signature Bank, and First Republic Bank collapsed, declaring insolvency. This series of bank runs, coined the Banking Crisis of 2023, may continue to have long-term effects on consumers' confidence levels in the banking system. Additionally, in March 2023, Credit Suisse, the second-largest bank in Switzerland and one of the leading financial institutions globally, collapsed following numerous scandals in recent years. The collapse led to the bank being bought by rival UBS Group AG for about U.S.$3.3 billion to prevent bigger devastation in the global financial system. The full impact of these bank runs remains uncertain, considering both the U.S. and Switzerland carry reputations as leading countries for banks and financial institutions.

Trade tensions between the United States and major trading partners, most notably China, remain heightened following the introduction of a series of tariff measures in both the United States and China and a U.S. investment ban on certain Chinese companies, and these tensions could significantly impact global trade. Such tensions are set to continue in the areas of data and technology security and the maritime claims in the South and East China Seas, and as the results of China-Taiwan relations and human rights accusations. In addition, financial market volatility and increased economic uncertainty may arise due to specific country-related factors. For example, the Chinese government may maintain tight regulatory oversight on specific sectors (such as property and platform technology companies) and rein in debt increases even as it attempts to stabilise economic growth. To the extent that uncertainty regarding the economic outlook is heightened and starts to negatively impact consumer confidence and consumer credit factors globally or regionally, the Bank's business, financial condition and results of operations could be significantly and adversely affected. There has also been continued and lingering political unrest in certain countries within the Southeast Asia region in recent years. Such geopolitical risks could continue to emerge in the region, resulting in economic slowdown, financial and commodity market volatilities and capital flight from emerging markets.

There can be no assurance that the uncertainties affecting global markets will not negatively impact credit markets in Asia, including in the Philippines. These developments may adversely affect trade volumes with potentially negative effects on the Philippines. A potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of certain countries may lead to new funding uncertainty, resulting in increased volatility and widening credit spreads. The success of the Bank's business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services.

CONSIDERATIONS RELATING TO THE BANK

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

Trading and securities gain – net accounted for 0.28%, 2.71% and 13.71% of total operating income for the years ended 31 December 2022, 2023 and 2024, respectively. The Bank's income from these activities is subject to substantial volatility based on, among other things, changes in interest rates, foreign currency exchange rates, debt prices, stock market fluctuations, and economic, political and other conditions that may fluctuate from time to time. Given the potential and possible unfavorable conditions in the global financial markets, there can be no assurance that, in the future, the Bank will be able to realize a stable amount of trading and foreign exchange gains, that it will not incur a loss from such trading activities or that it will hold on to its trading and investment securities to realize interest income, any or all of which could have a material adverse effect on the Bank's future net income.

On 19 October 2021, the BSP issued Memorandum No. M-2021-055, granting temporary regulatory relief on the capital treatment of provisioning requirements under PFRS 9, by allowing an "add-back" factor until 2023. Under that measure, covered Bangko Sentral – Supervised Financial Institutions (BSFIs) will be allowed to "add-back" increases in the Stage 1 and Stage 2 provisioning requirements booked under the allowance for credit losses from the end of December 2019 to CET 1 capital, over a period of two years commencing 1 January 2022, subject to a declining add-back factor.

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

The Bank may face increasing levels of non-performing loans and provisions for impairment of assets

The Bank's results of operations have been, and continue to be, negatively affected by the level of its non-performing loans (NPLs). As of 31 December 2022, 2023 and 2024, the Bank's net NPLs totalled ₱11,438 million, ₱10,910 million and ₱18,137 million, respectively, representing 2.00%, 1.59%, and 2.44% respectively, of the Bank's total loan portfolio. According to the BSP, average net NPL ratios for the Philippine banking system were 1.3%, 1.4% and 1.3% as of 31 December 2022, 2023 and 2024, respectively. For those periods, the Bank's net NPL ratio was higher than the average net NPL ratio for Philippine banks. There can be no assurance that the Bank will be able to continue to reduce or maintain its NPL levels within industry standards.

For the years ended 31 December 2022, 2023 and 2024, the Bank's NPL coverage ratio, defined as provisions divided by NPLs, was 68.27%, 69.18% and 57.22%, respectively. For the years ended 31 December, 2022, 2023 and 2024, the Bank made charges to income provisions for impairment of ₱5,706 million, ₱6,888 million and ₱8,619 million, respectively, representing approximately 18.28%, 20.48%, and 20.28% of the Bank's net interest income for these periods. See also "Investment Considerations – The Bank's provisioning policies in respect of NPLs require significant subjective determinations and are based on Philippine regulations which may result in a variation of how these policies are applied and may be less stringent than those in other countries".

Ongoing volatile economic conditions in the Philippines, including volatile foreign exchange and interest rates, could adversely affect, directly or indirectly many of the Bank's customers and counterparties, causing uncertainty regarding their ability to fulfil their loan obligations, thus significantly increasing the Bank's exposure to credit risk. These and other factors could result in an increased number of NPLs in the future and would require the Bank to book additional provisions for impairment on loans.

While the Bank has instituted more aggressive NPL recovery, resolution and disposal activities and stricter credit processes, its NPL increased in 2024 mainly from middle market accounts**.** The bank continues to enhance asset quality and manages NPLs through proactive restructuring for accounts facing long-term vulnerabilities while still operating within their core businesses. This helps stabilize these accounts and mitigate potential losses. Additionally, the bank takes a selective approach to market segments, prioritizing cross-selling loans to existing customers to leverage established relationships and reduce risk. The bank is also carefully selecting industries to ensure exposure is limited to sectors aligned with the risk appetite. To maintain asset quality, the bank emphasizes data-driven portfolio management by continuously reviewing and adjusting underwriting parameters based on portfolio performance. This is complemented by regular monthly account reviews, allowing for early detection of potential risks and timely intervention.

There can be no assurance that the Bank will be successful in continuing to reduce its NPL levels. An increase in the Bank's NPLs could have a material adverse effect on its financial condition, capital adequacy and results of operations. Part of the Bank's NPL disposal strategy is to continue to sell NPLs to SPVs. The Bank may not be able to sell its NPLs at commercially reasonable terms, if at all. In addition, certain of the Bank's past sales to SPVs have not sufficiently transferred the risks and rewards of the sold NPLs to the SPVs in accordance with the applicable accounting standards. If the Bank were to include these NPLs in its statement of condition, it would be required to increase its impairment losses and its financial condition and results of operations would be negatively impacted.

The Bank's ability to implement its growth strategy and its results of operations may be affected due to the increased oversight by the government and certain remedial measures that do not apply to other Philippine banks because of an alleged unauthorized transfer of funds involving the Bank in February 2016

On 5 February 2016, there were four cases of alleged unauthorized transfer totalling U.S.$81 million were routed from a U.S. dollar account owned by the Bangladesh Bank, the central bank of Bangladesh, with the Federal Reserve Bank of New York (**FRBNY**) into four accounts maintained at the Bank (the **BOB Incident**). The fund transfers originated from payment requests that were allegedly not initiated by the legitimate account owner. Over the course of several days, the funds were transferred and withdrawn from the Bank, before being eventually remitted to casinos. The Bank's internal investigation and assessment of the BOB Incident determined, among other things, that several rogue employees of the Bank colluded to falsify commercial documents and override the Bank's internal anti-money laundering (**AML**) alerts triggered by the suspicious transactions.

In August 2016, a special examination by the BSP as a result of the BOB Incident concluded that the Bank had conducted business in an unsafe or unsound manner by operating with a grossly inadequate money laundering and terrorist financing prevention risk management and control framework. The Monetary Board of the BSP approved the imposition of supervisory action on the Bank to pay a monetary penalty in the amount of ₱1 billion in relation to the completed special examination. Additionally, the Monetary Board of the BSP imposed a number of temporary restrictions on the Bank's activities and permanent requirements designed to strengthen the Bank's corporate governance and improve the Bank's prompt corrective action framework. Temporary restrictions imposed on the Bank by the BSP included a stay on the approval of any new branch licence requests, the prohibition against expanding the Bank's money service businesses through new relationships, and a prohibition against any new wire transfer or remittance-related products and services until further notice by the BSP. The permanent and ongoing requirements imposed by the BSP include, among other things, (i) reconstituting the Bank's Board of Directors, Audit Committee, Corporate Governance Committee and Risk Oversight Committee and organizational structure; (ii) implementing plans, processes and procedures designed to improve the Bank's AML and terrorist financing prevention framework and controls, and (iii) ensuring the effective implementation of the Bank's money laundering prevention programme and the taking of appropriate actions to correct conditions resulting from unsafe or unsound banking practices. The BSP's remedial measures or other possible future proceedings could adversely affect the Bank's ability to implement its growth strategy or results of operations. The restriction on establishing new money service business relationships has been lifted by the BSP per MB resolution 1687 dated 31 October 2019. RCBC was notified via BSP letter dated 5 November 2019.

The Bank fully recognized the BSP's ₱1 billion fine as part of miscellaneous expenses in its 2016 consolidated statements of profit or loss, and has paid in full this penalty ahead of the August 2017 deadline set by the BSP. In addition, in the immediate aftermath of the BOB Incident, the Bank lost a significant portion of its deposits and its cost of funding increased, which had an adverse effect on the Bank's income performance in 2016.

Moreover, the Bank and its current and former officers and employees who had significant involvement in the BOB Incident have taken part in investigations, regulatory proceedings and litigation stemming from the same. Please refer to "Description of the Bank – Legal Proceedings – BOB Incident" for further details on the BOB Incident and the associated litigations and proceedings.

There can be no assurance that the BSP or other regulators or government agencies will not impose additional penalties or requirements on the Bank, including extending or increasing current permanent or ongoing requirements. There may also be additional litigation arising from the BOB Incident that may be brought by the Bangladesh Bank or any other enforcement actions. Even if the Bank were to prevail in the lawsuit initiated by the Bangladesh Bank or any other enforcement actions in connection with the BOB Incident, and prevail in the case it had initiated against the Bangladesh Bank, it may nonetheless suffer reputational harm from such lawsuits or regulatory proceedings, and/or it may have to spend significant amounts of management time and financial resources defending itself and prosecuting its own claim against the Bangladesh Bank.

The Bank's provisioning policies in respect of NPLs require significant subjective determinations and are based on Philippine regulations which may result in a variation of how these policies are applied and may be less stringent than those in other countries

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

Furthermore, the level of loan loss provisions which the Bank recognises may increase significantly in the future due to the introduction of new accounting standards. The level of provisions currently recognised by the Bank in respect of its loan portfolio depends largely on the estimated value of the collateral coverage for the portfolio. The level of the Bank's provisions may not be adequate to cover increases in the amount of its NPLs, or any deterioration in the overall credit quality of the Bank's loan portfolio, including the value of the underlying collateral. In particular, the amount of the Bank's reported loan losses may increase in the future as a result of factors beyond the Bank's control. Certain accounting standards have been adopted in the Philippines, based on International Financial Reporting Standards, which require the Bank's loan loss provisions to reflect the net present value of the cash flows of the loan and underlying collateral. These accounting standards may result in the Bank recognising significantly higher provisions for loan loss in the future. The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose the Bank to significant losses.

On 3 August 2020, BSP Memorandum No. M-2020-061 was signed. This memorandum enjoined banks to adhere to the guidelines on credit risk management, besides being guided in the treatment of relief measures for the purposes of determining expected credit loss (ECL), and treatment of relief measures granted by the BSP. The BSP said banks should have the same prudence in assessing the financial capacity of borrowers and in making credit decisions, under the credit risk management rules. Banks should be able to distinguish borrowers who are only facing temporary cash flow pressures from those with serious issues on capacity to repay the loan. BSFIs are also expected to review the assumptions in their ECL models in view of the impact of the pandemic. BSFIs should use reasonable and supportable information about past events, current conditions, and the forecast of future conditions and/or outlook, without undue cost or effort. BSFIs should exercise prudent judgment in determining the qualitative and quantitative factors that should be considered in measuring ECL as well as in applying overlays or adjustments to the model.

While the Bank believes its current level of provisions and collateral position are more than adequate to cover its NPL exposure, an unexpected or significant increase in NPL levels may result in the need for higher level of provisions in the future. If the Bank fails to properly appraise or review its collateral or its appraised value declines, the Bank's provisions may be inadequate and the Bank may be required to make further provisions, which could have a material adverse effect on its business, financial condition and results of operations.

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

As of 31 December 2022, 2023 and 2024, respectively, the Bank's secured loans represented 43.35%, 41.08% and 41.38% of the Bank's total loans. As of those dates, 31.15%, 29.73% and 28.71%, respectively, of the total loans consisted of real estate properties as collateral.

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

The value of the Bank's collateral may be overstated and may decline in the future

The value of the Bank's collateral may be overstated and may not accurately reflect the net recovery it is likely to receive from the sale of such collateral. Certain of the Bank's collateral valuations may be outdated and may not accurately reflect the current market value of its collateral. In certain instances, no purchasers may exist for a particular type of collateral, thereby rendering it effectively worthless. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, could mean that the Bank's loan loss provisions for the relevant loans are inadequate and could require an increase in such provisions. Any increase in the Bank's provisions would adversely affect its results of operations and financial condition as well as the Bank's capital adequacy ratio ("**CAR**"), which could result in a need for the Bank to raise additional capital.

The Bank's focus on customers with lower incomes and the micro-financing business exposes the Bank to a high degree of credit risk and may have a detrimental effect on both the Bank's loan and deposit base as well as its NPLs

The Bank is engaged in the micro-financing business and is focusing on lending to customers with lower incomes in order to grow its business and increase its net interest margin. Lending to customers in this sector and conducting a micro-finance business both have specific requirements for risk management procedures, guidelines, systems, credit appraisal monitoring and loan recovery. Given the limited availability of independent financial information on Philippine borrowers, the Bank is exposed to higher credit risk in the consumer and micro-finance sectors as compared to banks in developed markets. Aggressive loan pricing by competitors and interest rate ceilings imposed by the Government may result in a lower net interest margin. In addition, slower economic growth and high inflation may cause significant deterioration in the purchasing power of consumers, thus resulting in a reduced loan demand and higher NPLs. The Bank's inability to manage these risks associated with this customer segment could have a material adverse effect on its business, financial condition and results of operations.

The Bank may not be successful in implementing new business strategies or penetrating new markets

The Bank's business strategy includes expanding the range of its products and services in order to diversify its revenue sources. For example, the Bank has targeted overseas remittances and loans to small and medium sized enterprises ("**SME**") as key areas of growth. The Bank believes its strategy is necessary to enable the Bank to increase loans in a sustained and prudent manner, to grow a stable deposit base and to maintain its net interest margin and profitability. In addition, the Bank is expanding its consumer loan operations. Expansion of the Bank's business activities to increase the number of financial products and services that it offers exposes it to a number of risks and challenges including, among others,

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

The Bank's inability to implement its business strategy could have a material adverse effect on its business, financial condition and results of operations.

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

The Bank has been expanding and will continue to expand its consumer loan operations, which constituted 40.15% of the Bank's total loan portfolio as of 31 December 2024, a 40.20% increase from the previous year. In addition, the Bank plans to continue expanding its credit card operations. These developments increase the Bank's exposure to consumer debt and changes in general economic conditions affecting Philippine consumers. Accordingly, economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of the Bank's personal loan and credit card portfolios. For example, a rise in unemployment or an increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults, while reducing demand for consumer loans. In addition, the number of loan accounts may be negatively affected by declines in household income, public concerns about unemployment or other negative macroeconomic factors.

Moreover, as retail consumers have smaller leverage to manage the adverse effects of the results of economic fluctuations, the Bank's consumer loan portfolio is prone to deterioration in credit quality and delinquencies, which could lead to a slowdown in the growth of the business and losses. Further, the lack of a central credit bureau and access to readily available data on credit quality in the Philippines may limit the Bank's ability to effectively assess consumer loan applications which may expose the Bank to significant credit risks. There can be no assurances that the Bank will be successful in its consumer debt operations or that it will not continue to incur losses. Continued losses from consumer debt operations will negatively affect the Bank's results of operations.

The Bank's results may not be indicative of the Bank's future performance

The Bank's results in the future are dependent upon many factors, including among other factors, the Bank's ability to implement its business strategies, economic growth in the Philippines, performance of its loan portfolio and fluctuation in interest rates and exchange rates. There can be no assurance that the Bank will be profitable or will not incur operating losses in the future, which may be significant.

The Bank has a high exposure to the Philippine property market through real and other properties acquired (ROPA) and its lending to customers in the real estate industry

The Bank has significant exposure to the Philippine property market due to the level of its holdings in ROPA and its loans to customers in the real estate industry. The Bank acquires ROPA when it forecloses on the mortgage over collateral provided by a borrower or whenever assets, usually real estate, are conveyed to or acquired by the Bank as payment. Accordingly, the level of the Bank's ROPA varies based on the level of its NPLs. As of 31 December 2024, the Bank's gross ROPA amounted to approximately ₱1,063 million, which represented 0.5% of the Bank's total tangible assets. The Bank's outstanding loans to customers in the real estate industry amounted to ₱80,276 million, ₱100,969 million and ₱93,193 million as of 31 December 2022, 2023 and 2024 respectively, representing 16%, 16% and 13%, respectively, of its total loans as of those dates.

The Bank periodically disposes of its ROPA in and through public auctions, sealed bidding and negotiated sales at prevailing market prices. The Philippine property market is highly cyclical, and property prices in general have been volatile. Property prices are affected by a number of factors, including, among other things, the supply of, and demand for, comparable properties, the rate of economic growth in the Philippines and recent political and economic developments. Property prices in recent years have been a function of interest rates and financing costs, with interest rates being at near-record lows and increasing the demand for real estate, resulting in increased property prices. Further, housing backlog in the Philippines has supported demand for residential properties.

To the extent that property values decline in the future, there can be no assurance that the Bank will be able to sell and recover the value of the ROPA stated in the financial statements or that the ability of the Bank's customers in the real estate industry to make timely payment on their loans will not deteriorate. Furthermore, in an extended downturn in the property market, and given the Bank's significant amount of ROPA, it may take a number of years before the Bank is able to realize a significant part of the value of its ROPA. Finally, the Bank is required to recognize annual provisions against ROPA based on the difference between the market value, net of estimated selling costs, and book value.

As a result of these provisioning requirements, if the Bank is unable to dispose of its ROPA, it may be required to recognize levels of provisions in future years which are higher than those currently recognized by the Bank. Furthermore, if the Bank's customers in the real estate industry fail to make timely payment on their loans, the Bank may have to set aside additional provisions for impairment losses. Accordingly, an extended downturn in the Philippine property sector could increase the level of the Bank's provisions set against its ROPA or its loans extended to customers in the real estate industry, reduce the Bank's net income and consequently adversely affect the Bank's business, financial condition and results of operations.

The Bank may have to comply with stricter regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP and the Bureau of Internal Revenue and international bodies, including the Financial Action Task Force (the FATF)

The Bank is regulated principally by, and has reporting obligations to, the BSP. It is also subsidiarily regulated, and has reporting and disclosure obligations to, the SEC, the PSE, and the AMLC (as defined below). The Bank is also subject to the banking, corporate, taxation and other laws in effect in the Philippines. The regulatory and legal framework governing the Bank differs in certain material respects from that in effect in other countries and may continue to change as the Philippine economy and commercial and financial markets evolve. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of banks in the Philippines. See "*Banking Regulations and Supervision*". The Bank may incur substantial additional costs to ensure compliance with new rules and regulations.

The Bank's failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines could have a material adverse effect on the Bank's business, financial condition and results of operations. As part of the administrative sanctions, the AMLC may impose sanctions, monetary penalties, warnings or reprimands and fines upon any covered person, its directors, its officers and employees for violation of the AMLA, its implementing rules and regulations or for failure to comply with AMLC orders, resolutions or issuances. The penalties to be imposed are provided under the AMLA, which may range from ₱100,000.00 to ₱3,000,000.00 depending on the violation. The administrative proceedings before the AMLC, including the imposition of administrative sanctions, are without prejudice to the filing of criminal charges against persons responsible for violations.

The Bank may face potential pressure on its capital due to Basel III

On 17 December 2009, the Basel Committee on Banking Supervision (the BCBS) proposed a number of fundamental reforms to the regulatory capital framework. On 16 December 2010, BCBS released two documents entitled "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" and "Basel III: International Framework for Liquidity Risk Management, Standards and Monitoring" and on 13 January 2011 issued a press release entitled "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" (collectively Basel III). The proposed reforms will require instruments to comply with the new eligibility criteria in order to obtain regulatory capital treatment and will introduce a deduction approach to regulatory adjustments and treatment of equity investments in non-financial and non-allied undertakings.

The revised guidelines would essentially require banks to hold more capital of higher quality. The minimum CAR remained at 10.0%. However, the BSP adopted a minimum Common Equity Tier 1 (**CET1**) ratio of 6.0%, a minimum Tier 1 ratio of 7.5%, and a capital conservation buffer of 2.5%. The new guidelines also introduced a capital conservation buffer (**CCB**) of 2.5% which shall be made up of CET1 capital. This buffer was intended to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during periods of financial and economic stress. Under BSP Circular No. 1027 dated 28 December 2018, net due from head office, branches and subsidiaries outside the Philippines of foreign banks branches, excluding accumulated net earnings is required to be deducted from CET1 capital.

On 29 October 2014, the BSP issued Circular No. 856, or the "Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III". Under the circular, the BSP adopts policy measures for Domestic Systemically Important Banks ("**D-SIBs"**), which are essentially aligned with documents issued by the BCBS on G-SIBs and D-SIBs. The policy aims to reduce the probability of failure of D-SIBs by increasing their going-concern loss absorbency and to reduce the extent or impact of failure of D-SIBs on the domestic or real economy. The submission of data requirements for the identification of D-SIBs took effect starting with 2014 data while compliance with the additional higher loss absorbency requirement was phased in from 1 January 2017 with full implementation on 1 January 2019.

Under BSP Circular No. 856, the systemic importance of a bank is assessed in relation to the impact of its failure on the domestic economy based on certain bank-specific factors (on a consolidated basis): size, interconnectedness, substitutability/financial institution infrastructure, and complexity. Banks that have a score that exceeds the cut-off under the indicator-based measurement approach shall be classified as D-SIBs. In assessing D-SIBs, supervisory judgment may also be utilized based on the principles set forth in the circular. Using cluster analysis, D-SIBs will initially be allocated into two buckets with an empty bucket to provide banks with an incentive to avoid becoming more systemically important. The assessment will be run annually, and D-SIBs reallocated as a result. If the empty bucket becomes populated in the future, a new empty bucket shall be added with a required higher additional loss absorbency level which shall increase in increments of 1.0% of risk-weighted assets.

Banks identified as D-SIBs will be required to have higher loss absorbency ("**HLA**"). This higher requirement is aimed at ensuring that D-SIBs have a higher share of their balance sheets funded by instruments which increase their resilience as a going concern, considering that the failure of a D-SIB is expected to have a greater impact on the domestic financial system and the economy as a whole. To ensure a maximum degree of consistency in terms of effective loss absorbing capacity, the HLA requirement will be addressed through CET1 capital.

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

On January 2019, the BSP adopted the Basel III countercyclical buffer that required universal banks and commercial banks to maintain a CCyB of 0.0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, with respect to CET 1 requirement.

On 27 September 2019, the BSP issued Circular No. 1051, entitled Amendments to the Framework for Dealing with Domestic Systematically Important Banks ("**BSP Circular No. 1051**"), which amended the framework for dealing with D-SIBs provided under BSP Circular No. 856.

Under BSP Circular No. 1051, the minimum HLA requirement for the lower bucket shall be 1.5% of risk-weighted assets at all times. For the higher populated bucket, the HLA requirement shall range from above 1.5% to 2% of risk-weighted assets. An empty top bucket with HLA requirement of 2.5% of risk-weighted assets shall also be maintained. The differentiated HLA requirement for D-SIBs slotted under the higher-populated bucket is to be based on the ranking of a bank's overall systemic importance through the use of the indicator-based measurement approach. An equation is provided in BSP Circular No. 1051 for computing the additional loss absorbency requirement for D-SIBs slotted under the higher-populated bucket.

Bucket	**Score Range**	**Minimum additional HLA requirement (CET1 capital as a percentage of risk-weighted assets)**
3 (empty)	B-C	2.5%
2	A-B	>1.5% to 2.0%
1	Cut-off point – A	1.5%

The HLA requirement shall also be on top of the combined requirement for CCB and CCyB, as determined under BSP Circular No. 1051. Restrictions on distributions are provided under BSP Circular No. 1051, depending on the CCyB rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions. The total CET1 capital requirement for D-SIBs will be as follows:

A. CCyB rate is at 0.0%:

Bucket	**Minimum CET1 Requirement (a)**	**CCB (b)**	**CCyB (c)**	**D-SIB HLA Requirement (d)**	**Total Additional CET1 Requirement (b+c+d)**	**Total Required CET1 (a+b+c+d)**
3 (empty)	6.0%	2.5%	0.0%	2.5%	5.0%	11.0%
2*	6.0%	2.5%	0.0%	2.0%	4.5%	10.5%
1	6.0%	2.5%	0.0%	1.5%	4.0%	10.0%

*Assuming an HLA requirement of 2.0%

B. CCyB rate is at 2.5%:

Bucket	**Minimum CET1 Requirement (a)**	**CCB (b)**	**CCyB (c)**	**D-SIB HLA Requirement (d)**	**Total Additional CET1 Requirement (b+c+d)**	**Total Required CET1 (a+b+c+d)**
3 (empty)	6.0%	2.5%	2.5%	2.5%	7.5%	10.0%
2*	6.0%	2.5%	2.5%	2.0%	7.0%	9.0%
1	6.0%	2.5%	2.5%	1.5%	6.5%	8.0%

*Assuming an HLA requirement of 2.0%

Transitional arrangements for the HLA requirement will be implemented. In the case of banks included in the first list of D-SIBs (to be released in June 2015 based on December 2014 data), compliance with the HLA requirement was phased-in starting 1 January 2017, with full compliance on 1 January 2019. Under BSP Circular No. 857, further lists of D-SIBs will be issued until 31 December 2021. After the phase-in period, banks identified as D-SIBs will have 18 months to comply with the required HLA.

Data Cut-Off	**Release of D-SIBs List**	**Compliance Period**
December 2014	June 2015	Phased-in: 1 January 2017 – 1 January 2019
December 2015	June 2016	Phased-in: 1 January 2018 – 1 January 2019
December 2016	June 2017	1 January 2019 – 31 December 2019
December 2017	June 2018	1 January 2020 – 31 December 2020
December 2018	June 2019	1 January 2021 – 31 December 2021

BSP Circular No. 1051 likewise imposes capital distribution constraints should a D-SIB's capital fall within a specified range (subject to phased-in implementation and other provisions of the circular):

A. CCyB rate is at 0.0%

	Level of CET1 Capital	
Restrictions on Distributions	**Bucket 1**	**Bucket 2***
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=9.25%	<=9.50%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>9.25% – 10.0%	>9.50% – 10.5%

*Assuming an HLA requirement of 2.0%

B. CCyB rate is at 2.5%

	Level of CET1 Capital	
Restrictions on Distributions	**Bucket 1**	**Bucket 2***
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=11.75%	<=12.00%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>11.75% – 12.50%	>12.00% – 13.00%

*Assuming an HLA requirement of 2.0%

A D-SIB will not be subject to any restriction on distribution if the following conditions are met:

a) Positive retained earnings as of the preceding quarter and compliance with the regulatory requirements for the declaration of dividends;
b) Compliance with total required CET1 and D-SIBS HLA requirement (under the circular) before distribution; and
c) Compliance with minimum capital ratios after distribution.

D-SIBs will also be subjected to greater supervisory requirements such as additional disclosures and reports in its Internal Capital Adequacy Assessment Process ("**ICAAP**").

These requirements may lead to the Bank having to hold even higher minimum levels of capital compared with the levels above, should it be designated as a D-SIB by the BSP.

On 9 June 2015, the BSP issued Circular No. 881, entitled Implementing Guidelines on the Basel III Leverage Ratio Framework ("**Circular No. 881**"). In accordance with Circular No. 881, the leverage ratio of universal and commercial banks as well as their subsidiary banks and quasi-banks, computed as the level of a bank's Tier 1 capital against its total on-book and off book exposures, must not be less than 5%. During the monitoring period up to 31 December 2016, sanctions were not imposed on covered institutions falling below the 5% minimum; however, all covered institutions were required to submit periodic reports. On both a solo and consolidated basis, this ratio should not be less than 5% for universal and commercial banks, as well as their subsidiary banks/quasi-banks. On 22 January 2018, however, the BSP issued Circular No. 990, extending the monitoring period up to 30 June 2018. By 1 July 2018, the leverage ratio became a Pillar 1 requirement.

Banks also face new liquidity requirements under Basel III's framework on liquidity standards, which were adopted by the BSP through Circular No. 905, entitled Implementation of Basel III Framework on Liquidity Standards — Liquidity Coverage Ratio and Disclosure Standards ("**Circular No. 905**"). Circular No. 905 adopted the Basel III for Liquidity Coverage Ratio ("**LCR**") Framework and Minimum Liquidity Ratio Framework, and the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio ("**NSFR**").

The LCR requires banks to hold sufficient levels of high-quality liquid assets to enable them to withstand a 30-day liquidity stress scenario. Beginning 1 January 2018, the LCR threshold that banks would have to meet is 90%, which was increased to 100% beginning 1 January 2019. During the observation period prior to 1 January 2018, banks were required to submit quarterly LCR reports for monitoring purposes. On 15 March 2019, the BSP issued Circular No. 1035, entitled Amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework ("**BSP Circular No. 1035**"), which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. BSP Circular No. 1035 (i) extended the observation period of the minimum Basel III LCR requirement to 31 December 2021 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adopted the 100% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amended the formula for minimum liquidity ratio.

Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. On 6 June 2018, the BSP issued Circular No. 1007, entitled Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio. It provided that the implementation of the minimum NSFR would be phased in to help ensure that the covered banks and quasi-banks could meet the standard through reasonable measures without disrupting credit extension and financial market activities. Covered banks and quasi-banks went through an observation period from 1 July 2018 to 31 December 2018 before the actual implementation of the minimum 100% NSFR, which would begin on 1 January 2019 and continue thereafter. On 15 March 2019, the BSP issued Circular No. 1034, further extending the observation period for subsidiary banks and quasi-banks of universal and commercial banks from 1 July 2018 to 31 December 2019 before the implementation of the minimum 100% NSFR beginning 1 January 2020.

Both the LCR threshold and the NSFR threshold are now at 100%, following the full implementation of the provisions of Circulars 1035 and 1034, respectively. On 13 February 2020, the BSP issued Memorandum No. M-2020-003, entitled Guidelines on the Electronic Submission of the BASEL III Net Stable Funding Ration (NSFR) Report and Liquidity Coverage Ratio Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for purposes of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1035 and 1034.

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

On 16 April 2021, the BSP Circular No. 1113 which amended the guidelines on the recovery plan of banks designated as D-SIBs. In order to reduce the negative impact of D-SIBs on the economy, the BSP provided for a framework consisting of three parts: assessment methodology; HLA and interaction with other elements of the Basel III framework; and the intensive supervisory approach. Under the intensive supervisory approach, a D-SIB must prepare a concrete and reasonable recovery plan which must be implemented in the event that the HLA capital requirement is breached. This includes specific initiatives such as restructuring and disposing of assets, capital raising activities and streamlining businesses. Apart from a recovery plan, the D-SIB must also submit an ICAAP. On 20 July 2022, Circular No. 1158 amended the guidelines governing the submission of recovery plans of banks as well as the prudential measures under the ICAAP and Supervisory Review Process.

There can be no assurance that the Bank will not face increased pressure on its capital in the future to comply with Basel III standards which may have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is effectively controlled by one shareholder group, with which it has extensive financial and business connections and the interests of the majority shareholder may not coincide with the interests of the Holders

The Bank is effectively controlled by a group of companies held by the Yuchengco family. As of 31 December 2024, the Pan Malayan Management and Investment Corporation (PMMIC) owned approximately 33.92% of the Bank's issued and outstanding shares while other members of the Yuchengco Group of Companies (YGC) owned an additional 9.38% of the Bank's issued and outstanding shares. There can be no assurance that the interests of YGC will necessarily coincide with the interests of the Holders. See "Related Party Transactions".

YGC has been the Bank's controlling shareholder for over 60 years and is closely associated with the Bank. If there is any public perception in the Philippines that the Bank is reliant on the financial condition of YGC, there could be a loss of confidence in the Bank's solvency among its depositors or creditors in the event of deterioration in the financial condition of YGC. In particular, this could result in withdrawals of deposits or a decrease in new deposits beyond levels anticipated by the Bank and have a material adverse effect on the Bank's financial condition and results of operation. Furthermore, the Bank relies on its relationship with YGC for certain business synergies, including access to YGC clients and prospective clients and joint product development. As a result, a deterioration in the financial condition of YGC or negative publicity regarding YGC or any other entities owned or controlled by YGC could have a material adverse effect on the Bank's financial condition and results of operations.

Losses in the Bank's subsidiaries' operations may affect the financial standing of the Bank

As a universal bank, the Bank is authorized, subject to certain limits, to invest in allied and non-allied undertakings and joint ventures such as RCBC Capital Corporation (**RCBC Capital**) and Honda Cars Philippines, Inc.

A portion of the Bank's earnings may be derived from the dividends from these operating companies or may be otherwise affected by the financial performance of its subsidiaries. For the period ended 31 December 2024, the Bank had derived equity income of ₱490.90 million, respectively, from these operating companies. Losses in these undertakings may affect the financial standing of the Bank and could have a material adverse effect on the Bank's financial condition.

Furthermore, certain financial institutions owned or controlled by the Bank are also subject to BSP audit, the results of which may affect the banking licence of these subsidiaries, and consequently affect the cash flow to the Bank in terms of dividends.

The Bank is subject to foreign currency risk on its foreign currency liabilities

As a financial institution, the Bank is exposed to foreign exchange rate risk. Movements in foreign exchange rates could affect the Bank's business and results of operations. There can be no assurance that the Peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an effect on the Bank. In addition, the foreign exchange transactions of banks in the Philippines are subject to stringent BSP regulation. Under BSP Circular No. 1086, the Bank is required to provide a 100% foreign asset cover for all its foreign currency liabilities in its foreign currency deposit unit (FCDU) books, except for U.S. dollar-denominated repurchase agreements with the BSP. The Bank may also issue Notes through its regular banking unit (RBU). See "Taxation – Philippine Taxation – Interest on the Notes". As of 31 December 2024, on a non-consolidated basis, the Bank had ₱1,353.15 billion of resources and ₱1,194.67 billion of liabilities (of which ₱369.43 million of resources and ₱354.97 million of liabilities were in its FCDU books and denominated in foreign currencies, primarily in U.S. dollars). These represent 30.01% and 32.91% of total assets and total liabilities respectively, as of 31 December 2024.

The Bank realizes income from the margin between interest-bearing assets, such as investments and loans, and on interest-bearing liabilities, such as deposits and borrowings. The business of the Bank is subject to fluctuations in market interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are neither predictable with certainty nor controllable and might have a material adverse impact on the operations and financial condition of the Bank. In a rising interest rate environment, if the Bank is not able to pass along higher interest costs to its customers, it might negatively affect the Bank's profitability. If such increased costs are passed along to customers, such increased rates might make loans less attractive to potential customers and result in a reduction in customer volume and hence operating revenues. In a decreasing interest rate environment, potential competitors might find it easier to enter the markets in which the Bank operates and to benefit from wider spreads. As a result, fluctuations in interest rates could have an adverse effect on the Bank's margins and volumes and in turn affect the Bank's business, financial condition and results of operations.

The Bank may not be able to successfully upgrade its information and reporting systems in a cost effective and timely manner to respond to technological advances and changing banking industry standards

Effective information and reporting systems are critical to the Bank's operations. Among other things, the Bank relies on timely access to reliable information in order to provide services to its customers and prudently manage its assets and liabilities, liquidity and overall financial condition. In addition, the Bank's ability to manage credit risk, market risk, interest rate risk and operational risk also depends on access to such information.

There can be no assurance that the Bank will be able to respond to technological advances and changing banking industry standards and practices on a cost-effective and timely basis. If the Bank's systems quickly become outdated or the Bank's employees are not adequately trained in how to operate and comply with system upgrades, the Bank's financial condition, liquidity and results of operations could be materially and adversely affected.

Significant security breaches in the Bank's computer systems and network infrastructure, fraud, systems failures and calamities could adversely impact its business

The Bank's computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. The Bank's hardware and software are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet backbone providers. A significant failure in security measures could have an adverse effect on the Bank's business and its reputation could be adversely affected by significant fraud committed by employees, agents, customers or third parties.

The Bank seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by its increased use of networking. The Bank employs security systems, firewalls and password encryption, designed to minimize the risk of security breaches. The Bank may be required to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures, and the Bank may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by the Bank.

To mitigate these risks, the Bank continues to implement security technologies and establish operational procedures. However, these may not be sufficient to prevent fraud, break-ins, damage and failures. Given the increasing share of retail products and services and transaction banking services in the Bank's business, the importance of systems technology to its business has increased significantly. The Bank's principal delivery channels include its branches and ATMs and its electronic banking systems.

Any failure in the Bank's systems, particularly those utilized for its retail products and services and transaction banking, or the occurrence of natural disasters that affect areas in which it has a significant presence, could adversely affect its operations.

The Bank's business, reputation and prospects may be adversely affected if it is not able to detect and prevent fraud, procedural lapses or other misconduct on a timely basis

The Bank is exposed to the risk that fraud, procedural lapses and other misconduct committed by employees or outsiders could occur. Such incidences may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems. Any occurrence of such fraudulent events or procedural lapses may damage the reputation of the Bank and may adversely affect its business, financial condition, results of operations and prospects.

In this regard, during a hearing on 27 March 2025, the Senate Committee on Banks, Financial Institutions, and Currencies (the Senate Committee) probed into allegations of unauthorized withdrawals amounting to ₱41 million from the bank account of Alvin O. Ty, a deceased RCBC client. His widow, Mrs. Gina Ty, appeared before the Senate Committee and claimed that her stepchildren were able to transfer money from her husband's accounts maintained with RCBC to another bank through checks bearing his forged signature. Accordingly, in line with its commitment during the hearing, the Bank launched an investigation as well as a Special Audit Examination regarding the issues raised by Mrs. Ty. The Bank also directed several employees to explain their apparent involvement in the transactions in question. Both the administrative proceedings against the concerned employees and the Special Audit Examination are ongoing.

The Bank has put in place various processes and structures to detect and prevent fraud, procedural lapses and other misconduct committed by the Bank's employees or outsiders on a timely basis. However, there can be no assurance that these processes and structures will detect and prevent fraud, procedural lapses and other misconduct in a timely manner or at all.

Failure on the part of the Bank to prevent such procedural lapses or any fraudulent actions may result in administrative or other regulatory sanctions by the BSP or other Government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities.

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

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

CONSIDERATIONS RELATING TO THE BONDS BEING ISSUED AS GREEN, SOCIAL, AND/OR SUSTAINABILITY BONDS

The Bonds being issued as green, social, and/or sustainability bonds may not be a suitable investment for all investors seeking exposure to sustainable assets

Sustainalytics has been engaged by the Bank to examine the assertions in the Bank's Sustainable Finance Framework and has expressed a second party opinion on such description (the "**Opinion**"). The criteria for Sustainalytics' procedures are the Green Bond Principles 2021, Green Loan Principles 2023, the Social Bond Principles 2023, Social Loan Principles 2023, the Sustainability Bond Guidelines 2021, ASEAN Green Bond Standards 2018, ASEAN Social Bond Standards 2018, and ASEAN Sustainability Bond Standards 2018 (collectively, the "**Principles**") published by the International Capital Market Association ("**ICMA**").

The Opinion is not incorporated into, and does not form part of, this Offering Circular. The Opinion and the Bank's Sustainable Finance Framework are not recommendations to buy, sell, or hold securities and are only current as of their respective dates of issue and are subject to certain disclaimers set out therein. Furthermore, each of the Opinion and the Bank's Sustainable Finance Framework is for information purposes only and none of Sustainalytics or the Joint Arrangers and Bookrunners and each of the Selling Agents accepts any form of liability for the substance of the Opinion and the Bank's Sustainable Finance Framework and/or any liability for loss arising from the use of the Opinion and the Bank's Sustainable Finance Framework and/or the information provided in it.

While the Issuer has agreed to certain obligations relating to reporting and use of proceeds as described under this Offering Circular and the Bank's Sustainable Finance Framework, it would not be an event of default under the terms and conditions of the Bonds if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the green, social, and/or sustainability bonds in the manner specified in this Pricing Supplement, and/or (ii) the Opinion issued in connection with such green, social, and/or sustainability bonds were to be withdrawn. Any failure to use the net proceeds of the issue of the green, social, and/or sustainability bonds in connection with eligible projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain sustainability or environmentally focused investors with respect to such green, social, and/or sustainability bonds, may affect the value and/or trading price of the green, social, and/or sustainability bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green assets or equivalently-labelled assets.

None of the Issuer, the Joint Arrangers and Bookrunners or the Selling Agents makes any representation as to the suitability for any purpose of the Opinion or whether the green, social, and/or sustainability bonds fulfil the relevant sustainability, environmental and/or other criteria. In addition, none of the Joint Arrangers and Bookrunners or the Selling Agents makes any assurances as to whether the net proceeds from the issue of the Bonds will be used for eligible projects. Each potential purchaser of the Bonds should (i) have regard to the relevant projects and eligibility criteria described in the Bank's Sustainable Finance Framework and (ii) determine for itself the relevance of the information contained in this Offering Circular regarding the use of proceeds, and its purchase of any green, social, and/or sustainability bonds should be based upon such investigation as it deems necessary. A copy of RCBC's Sustainable Finance Framework and Sustainalytics' Opinion (as defined below) can be found at https://rcbc.com/sustainability.

In respect of Bonds issued as Green Bonds, Social Bonds, or Sustainability Bonds, there can be no assurance that the particular use of proceeds will be suitable for the investment criteria of an investor

The Issuer may issue Bonds under the Programme from time to time which are specified to be "Green Bonds", "Social Bonds" or "Sustainability Bonds" in the applicable Pricing Supplement. It will be the Issuer's intention to apply an amount equal to the net proceeds from an offer of Green Bonds, Social Bonds and Sustainability Bonds specifically for a portfolio of Eligible Projects (as defined in the "Sustainable Finance Framework" section of this Offering Circular) in each case as described in the Issuer's Sustainable Finance Framework.

No assurance is given by the Issuer, the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, the Trustee or any other person that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to any Eligible Projects. None of the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, shall be responsible for the ongoing monitoring of the use of proceeds in respect of any such Bonds. Prospective investors should consult with their legal and other advisers before making an investment in any such Bonds and must determine for themselves the relevance of the information set out in this Offering Circular and the applicable Final Terms for the purpose of any investment in such Bonds together with any other investigation such investor deems necessary.

On 14 February 2024, the Issuer obtained a second-party opinion from Sustainalytics (the "**Opinion**"), confirming that the Sustainable Finance Framework is aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023, Social Loan Principles 2023, ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018. No assurance or representation is given by the Issuer, the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, the Trustee or any other person as to the suitability or reliability for any purpose whatsoever of the Opinion or any opinion, report or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Bonds and in particular with any Eligible Projects to fulfil any environmental, social and/or other criteria. For the avoidance of doubt, the Opinion or any such opinion, report or certification (i) is not, nor shall it be deemed to be, incorporated in and/or form part of this Offering Circular, (ii) is not, nor should it be deemed to be, a recommendation by the Issuer, the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, the Trustee or any other person to buy, sell or hold any such Bonds, and (iii) would only be current as at the date that the Opinion, any such opinion, report or certification was initially issued. The Opinion or any such opinion or certification may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Bonds. The Opinion or any such opinion or certification may be updated, suspended or withdrawn at any time. A withdrawal of the Opinion or any such opinion or certification may have an adverse effect on the value of the Bonds and/or may have adverse consequences for certain investors with portfolio mandates to invest in green assets. Prospective investors must determine for themselves the relevance of the Opinion, any such opinion, report or certification and/or the information contained therein and/or the provider of such opinion, report or certification for the purpose of any investment in such Bonds. Currently, Sustainalytics, the providers of any such opinions, reports and certifications are not subject to any specific regulatory or other regime or oversight. Investors in such Bonds shall have no recourse against the Issuer, the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, the Trustee, the provider of any such opinion, report or certification for the contents of any such opinion, report or certification. No assurance can be provided with respect to the suitability or reliability of any such opinion or certification or that the Bonds will fulfil the criteria to qualify as Green Bonds, Social Bonds or Sustainable Bonds, as the case may be. The Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, and the Trustee have not undertaken, nor are responsible for, any assessment of the eligibility of projects as Eligible Projects or the monitoring of the use of proceeds from the offering of the Bonds.

The Sustainable Finance Framework, the Opinion and any public reporting by or on behalf of the Issuer in respect of the application of proceeds (or an amount equal to the proceeds) are available on the Bank's website at https://www.rcbc.com/sustainability, but for the avoidance of doubt, will not be incorporated in and/or form part of this Offering Circular. The Issuer's Sustainable Finance Framework may be amended at any time without the consent of Bondholders and none of the Issuer, the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, or the Trustee assumes any obligation or responsibility to release any update or revision to the Sustainable Finance Framework and/or information to reflect events or circumstances after the date of publication of the Sustainable Finance Framework.

While it is the intention of the Issuer to apply the net proceeds (or an amount equal to the net proceeds) of any Bonds so specified for Eligible Projects in the manner specified in this Offering Circular or the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Bonds or otherwise result in the Bonds being redeemed prior to their maturity date.

Any such event or failure to apply the proceeds of any issue of Bonds for any Eligible Projects as mentioned in the previous paragraph and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, may have a material adverse effect on the value of such Bonds and also potentially the value of any other Bonds which are intended to finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

In the event that the Bonds will be listed or admitted to trading on any dedicated green, environmental, sustainable or other equivalently-labeled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Eligible Projects. Additionally, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. In addition, no representation or assurance is given or made by the Issuer, the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s or any other person that any such listing or admission to trading will be obtained in respect of the Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Bonds.

There is no direct contractual link between any Green Bonds, Social Bonds, or Sustainability Bonds and any green, social or sustainability targets of the Issuer. Therefore, payments of interest, principal or other amounts, as applicable payable in respect of any Bonds and rights to accelerate under the Bonds will not be impacted by the performance of Eligible Projects funded out of the proceeds of issue (or amounts equal thereto) of the Bonds or by any other green, social or sustainable assets of the Issuer.

There is no current market consensus on what constitutes a "green", "sustainable", "social" or equivalently-labelled project

It should be noted that the definition (legal, regulatory or otherwise) of, or market consensus as to what constitutes or may be classified as, a "green", "sustainable", "social" or equivalently-labelled project or investment that may finance such project is evolving. No assurance can be given that a clear definition, consensus or label will develop over time or that, if it does, any Green Bonds, Social Bonds, or Sustainability Bonds will comply with such definition, market consensus or label. No assurance can be given by the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, the Trustee or any other person to investors that any Green Bonds, Social Bonds, or Sustainability Bonds will comply with any future standards or requirements regarding any "green", "social", "environmental", "sustainable" or other equivalently-labelled performance objectives and, accordingly, the status of any Bonds as being "green", "social", "sustainable" (or equivalent) could be withdrawn at any time.

In addition, there can be no guarantee that there will not be any adverse environmental and/or social impacts during the implementation of any Eligible Projects. Where negative impacts are insufficiently mitigated, the projects and activities may become controversial, and/or may be criticized by activist groups or other stakeholders. The Issuer may not meet or continue to meet the investment requirements of certain investors with respect to the Bonds, which may also have consequences for certain investors with portfolio mandates to invest in “green”, “sustainable”, or “social” assets. No assurance can be provided to investors that the Bonds and the use of proceeds by the Issuer or any Eligible Projects will satisfy, whether in whole or in part, any expectations or requirements of any investor or any present or future expectations or requirements with respect to “green”, “sustainable”, “social” or equivalently-labelled projects. Prospective investors should consult with their legal and other advisers before making an investment in any such Bonds and must determine for themselves the relevance of the information set out in this Offering Circular and the applicable Final Terms for the purpose of any investment in such Bonds together with any other investigation such investor deems necessary.

CONSIDERATIONS RELATING TO THE BONDS ISSUED OUT OF THE PROGRAMME

The Bonds may not be a suitable investment for all investors

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The priority of debt evidenced by a public instrument

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Bonds in the event of the liquidation of the Bank.
So far as the Bank is aware, none of its debt is evidenced by a public instrument pursuant to Article 2244(14), and the Bank will undertake under Condition 10(d) of the General Terms and Conditions of the Bonds not to create or permit to subsist any preference or priority in respect of any other Indebtedness (as defined in Clause 1 of the General Terms and Conditions) pursuant to Article 2244(14) of the Civil Code, or any successor Philippine law providing for preferences or priority in respect of notarized Indebtedness unless amounts payable under the outstanding Bonds are granted preference or priority equally and ratably therewith. However, a domestic lender may acknowledge debt before a notary or a person authorized to administer oaths without notice to the Bank.

The Bonds may have limited liquidity

The Bonds constitute a new issue of securities for which there is no existing market. The Selling Agents are not obligated to make a market in any Bonds. While market makers have been appointed for the Bonds, any market-making activity with respect to such Bonds, if commenced, may be discontinued at any time without notice in its sole discretion.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Bonds. If an active trading market for any Bonds does not develop or is not maintained, the market price and liquidity of such Bonds may be adversely affected. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the price at which the Bonds are issued depending on many factors, including:

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political and economic developments in and affecting the Philippines;
- the market conditions for similar securities; and
- the financial condition and stability of the Philippine financial sector.

The Bank intends to enroll or list, as applicable, the Bonds on PDEx. However, there can be no assurance that the Bank will obtain or be able to maintain such an enrollment or listing or that, if listed, a trading market will develop for the Bonds on the PDEx. The Bank does not intend to apply for enrollment or listing of the Bonds on any securities exchange other than the PDEx. Lack of a liquid, active trading market for the Bonds may adversely affect the price of the Bonds or may otherwise impede a holder's ability to dispose of the Bonds.

The Bank may be unable to redeem the Bonds

At maturity, the Bank will be required to redeem all of the Bonds. The Bank may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem the Bonds by the Bank would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Bank.

Transfers only through PDEx

While the Bonds are enrolled or listed in the PDEx, all transfers of the Bonds must be made through the PDEx. Consequently, the parties to a transfer may be subject to the guidelines of the relevant PDEx trading participant and the payment to such trading participant and the Registrar of any reasonable fees. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

The Bonds are required to be enrolled or listed, as applicable, on an established exchange. Investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEx Settlement Rules and Guidelines.

These rules and guidelines cover minimum trading lots and record dates. The secondary trading of Bonds in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the completion of such trades. The PDEx rules and conventions are available in the PDEx website (www.pds.com.ph). An investor Frequently Asked Questions ("**FAQ**") discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEx website.

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

Issuance and Transfer Restrictions

The Bonds may not be issued or transferred to Prohibited Bondholders as defined in the General Terms and Conditions.

The Registrar is authorized to refuse any transfer or transaction in the Bond Registry which may be in violation of these restrictions. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

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

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

Taxation of the Bonds

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident alien individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 30% final withholding tax.

To the extent that certain series or tranches of Bonds to be issued qualify as long-term bonds, the taxation would be as follows:

Interest Income on Long-Term Bonds

A. Individuals

Interest income on bonds with maturities of five (5) or more years (**long-term bonds**"), may qualify as long-term deposit or investment, in which case, pursuant to RR No. 14-2012, RMC No. 77-2012, and RMC No. 81-2012, as may be amended, interest income derived by qualified individuals may be exempt from the 20% final withholding tax provided that the following characteristics or conditions are present:

a) The investor is an individual citizen (resident or non-resident) or resident alien or non-resident alien engaged in trade or business in the Philippines ("**Individual**");
b) The long-term bonds should be under the name of the Individual;
c) The long-term bonds must be in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments evidenced by certificates in such form prescribed by the BSP;
d) The long-term bonds must be issued by banks only and not by other entities or individuals;
e) The long-term bonds must have a maturity period of not less than five (5) years;
f) The long-term bonds must be in denominations of Ten Thousand Pesos (P10,000) and other denominations as may be prescribed by the BSP;
g) The long-term bonds should not be terminated by the original investor before the fifth (5^{th}) year, otherwise they shall be subjected to the graduated rates of 5%, 12%, or 20% on interest income earnings; and
h) Except those specifically exempted by law or regulations, any other income such as gains from trading, foreign exchange gain shall not be covered by income tax exemption.

For interest income derived by individuals investing in common or individual trust funds or investment management accounts, the following additional characteristics/conditions must all be present:

a) The investment must be actually held/managed by the bank for the named individual at least five (5) years without interruption;
b) The underlying investments of the common or individual trust account or investment management accounts must comply with the requirements of Section 22 (FF) of the NIRC of 1997, as amended, as well as the requirements mentioned above; and

c) The common or individual trust account or investment management account must hold on to such underlying investment in continuous and uninterrupted period for at least five (5) years.

The exemption of interest income from long-term bonds by the Individuals is dependent on full compliance with the above conditions and characteristics; otherwise, a final tax of 20% shall be imposed or, if the long-term bond is pre-terminated before maturity, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term bonds based on the remaining maturity of the bonds:

Four (4) years to less than five (5) years	5%
Three (3) years to less than four (4) years	12%
Less than three (3) years	20%

Interest income received by non-resident aliens not engaged in trade or business in the Philippines shall generally be subject to a final withholding tax of 25%. However, the foregoing rate may be reduced under an applicable tax treaty.

B. Corporations

Interest income derived by domestic and resident foreign corporations from deposit substitutes, offered to the public, is subject to final withholding tax at the rate of twenty percent (20%) pursuant to Sections 27(D) (1) and 28 (A) (7) (a) of the Tax Code, payable upon payment of the interest in case of interest-bearing instruments and securities. While interest income received by domestic and resident foreign corporation from the long-term bonds, which are not offered to the public, shall be subject to regular income tax at the rate of twenty-five percent (25%) pursuant to Sections 27 (A) and 28 (A) (1) of the Tax Code, as amended.

For non-resident foreign corporations, interest income received from long-term bonds, shall be subject to a final withholding tax at the rate of twenty-five percent (25%) pursuant to Section 28 (B)(1) of the Tax Code, as amended. The term "public" is defined as borrowing from twenty (20) or more individual or corporate lenders at any one time.

While the Issuer has made a determination that long-term bonds are deposit substitutes which can be treated similarly to long-term certificates of investment or Long-Term Negotiable Certificates of Time Deposit ("**LTNCTDs**") for tax purposes, it has not obtained a confirmatory ruling from the Bureau of Internal Revenue to this effect.

Certain tax preferential tax rates and exemptions available to banks and their transactions under existing laws may be affected by existing bills. On 5 February 2025, the CMEPA, which consolidated Senate Bill No. 2865 and House Bill No. 9277, was approved on third reading by the Philippine Congress. The proposed amendments under the CMEPA include the removal of the preferential tax rates and exemptions on long-term deposits and investments in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments; as well as the removal of exemption from income tax of income of nonresidents of the Philippines from transactions with depository banks under the expanded foreign currency deposit system.

Meanwhile, pending in the Senate is the Passive Income and Financial Intermediary Taxation Act (PIFITA), which is the fourth package of the CTRP (based on House Bill No. 4339 from the House of Representatives). The PIFITA, in its current form, proposes (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) a single final withholding tax rate of 20% on interest income regardless of currency, maturity, issuer and other differentiating factors, and (iii) a single gross receipt tax of 5%. on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), except dividends, equity shares and net income of subsidiaries.

In the event there is a change in the tax treatment of the long-term bonds or on the tax rates applicable to a Bondholder of long-term bonds because of new, or changes or repeal in, tax laws, or interpretations thereof, as a result of which, a Bondholder previously exempt from tax shall be made subject to tax on income earned from the long-term bonds or there is an increase in the applicable withholding tax rate, or any payments of principal and/or interest under the long-term bonds shall be subject to deductions or withholdings for or on account of any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld, or assessed within the Philippines by any authority therein or thereof having power to tax, including but not limited to stamp, issue, registration, documentary, value-added or similar tax, or other taxes, duties, assessments, or government charges, including interest, surcharges, and penalties thereon (the "**New Taxes**"), then such New Taxes imposed shall be for the sole account of the Bondholders. Consequently, the Paying Agent, on behalf of the Issuer, as applicable, shall make the necessary withholding or deduction for the account of the Bondholders concerned. All sums payable by the Bank to tax-exempt persons (upon qualification as such and presentation of acceptable proof of tax exemption) shall be paid without deductions for taxes, duties, assessments, or government charges.

There is no assurance that any subsequent changes in related regulations or their interpretation will not affect the tax-exempt status of long-term bonds. In such an event, affected holders of long-term Bonds may no longer benefit from the exemption of the interest earned on the long-term bonds, and the Bank may be compelled to apply the prescribed rates of withholding tax and proceed to withhold the necessary tax due on the Bonds based on the related BIR rules (See "*Taxation – Interest Income on Long-Term Bonds"*).

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Under the terms of the Bonds, if payments of principal and/or interest in respect of the Bonds shall be subject to deductions and withholding tax for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines, then such shall be for the account of the Bondholder concerned.

As part of the former administration's 10-point socioeconomic agenda, a comprehensive tax policy and administration reform is sought to be implemented. The tax reform plan proposes significant changes to the current tax system that seeks to reduce tax rates, the impact of which will be compensated by measures that will broaden tax base. This comprehensive tax reform plan proposed by the Department of Finance (DOF) was composed of six (6) packages, Package One which is commonly known as Tax Reform for Acceleration and Inclusion (TRAIN) was signed into law on 19 December 2017 and took effect on 1 January 2018. Package Two which is commonly known as Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) was signed into law on 26 March 2021 and took effect on 11 April 2021.

The DOF has also submitted Package Four of its tax reform program to Congress. That package includes, among others, the proposal to simplify tax rates on investment products in the Philippines. The objective is to help improve services being offered to the public and address the complex tax rates of financial products by standardizing or rationalizing tax rates on deposit investments, dividends and equity. The new administration under President Marcos indicated during his first SONA that it intends to continue pushing for the remaining tax packages that the previous administration started. Given this, there can be no assurance that the amendment or removal of the exemption from the final withholding tax on interest income from long-term deposits or investments earned by certain individuals or that the graduated rates applicable in case of pre-termination will be maintained. Furthermore, there can be no assurance that such amendments will not affect the yield of the Bonds.

U.S. Foreign Account Tax Compliance Act withholding may affect payments on the Securities

The U.S. "Foreign Account Tax Compliance Act" (or "**FATCA**") imposes a new reporting regime and, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. On 13 July 2015, the Intergovernmental Agreement ("**IGA**") Model 1 was signed and executed by the Philippines and the United States. As a Reporting Model 1 participating foreign financial institution ("**PFFI**") within Philippine jurisdiction, RCBC is legally mandated to follow the provisions set forth by the signed IGA Model 1. Under the said aforementioned IGA Model 1, the obligation to withhold tax under section 1471 or 1472 of the U.S. Internal Revenue Code with respect to an account held by a recalcitrant account holder is suspended subject to compliance by the Bank and the Bureau of Internal Revenue thereunder. This suspension, however, may possibly be lifted either by the U.S. IRS or the Philippine Competent Authority, specifically by the Bureau of Internal Revenue.

While the Bonds are maintained in scripless form through the Registrar, and persons classified as U.S. persons under FATCA are considered Prohibited Bondholders, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Registrar. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary is generally unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or such other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or such other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Bonds are discharged once it has paid the Paying Agent and the Issuer has therefore no responsibility for any amount thereafter transmitted through such custodians or intermediaries. Prospective investors should refer to the section "*Taxation — Foreign Account Tax Compliance Act*." There is no assurance that the secondary trading of the Bonds may not be affected by FATCA.

The value of Fixed Rate Bonds may be adversely affected by movements in market interest rates

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

The Conditions contain provisions which may permit their modification without the consent of all investors

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, amend or waive any provisions of the Contracts (as defined in Clause 1 of the Conditions) if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified after such amendment or waiver.

Changes in Philippine Law may affect the value of the Bonds

The Conditions are based on Philippine law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to Philippines law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Bonds affected by it.

Risks relating to unaudited, reviewed interim financial statements deemed incorporated by reference

Any published unaudited, reviewed interim financial statements of the Bank (whether prepared on a consolidated or a non-consolidated basis) which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited by the auditors of the Bank. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance on them.

Risks relating to forward-looking statements

The Bank has included certain statements in this Offering Circular which constitute "forward-looking statements" (the meaning of which is discussed above under "Forward-Looking Statements"). Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Bank's expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for Internet banking services. Accordingly, undue reliance must not be placed on such forward-looking statements.

SUSTAINABLE FINANCE FRAMEWORK

The following section sets out a high-level summary of the Bank's Sustainable Finance Framework which has been published by the Bank and is available on the Bank's website (https://www.rcbc.com/sustainability). For the avoidance of doubt, the contents of the Bank's website are not incorporated into and does not form part of this Offering Circular.

None of the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s, the Trustee or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates accepts any responsibility for the contents of the Sustainable Finance Framework.

No assurance or representation is given by the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s or the Trustee as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Bank) which may be made available in connection with the issue of any Green Bonds, Social Bonds or Sustainable Bonds. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Offering Circular. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s or the Trustee to buy, sell or hold any such any Green Bonds, Social Bonds or Sustainable Bonds. The Bondholders have no recourse against the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s or the Trustee for the contents of any such opinion or certification. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in any Green Bonds, Social Bonds or Sustainable Bonds. Currently, the providers of such opinions and certifications are not subject to any specific or regulatory or other regime or oversight.

No assurance is given by the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s or the Trustee that the use of the proceeds of issue of any Green Bonds, Social Bonds or Sustainable Bonds will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates. None of the Joint Arrangers, the Selling Agents, the Lead Arranger/s and Bookrunner/s or the Trustee will have any responsibility for monitoring the application of any such proceeds.

Capitalized terms used in this section but not otherwise defined herein shall have the same meaning as defined in the Sustainable Finance Framework.

Introduction

The Bank's sustainability strategy is underpinned by its belief that sustainable practices are key pillars of responsible lending which delivers meaningful impact on the environment and communities. The Bank plans to align its business strategies to support the development needs of the environment and society, as articulated in the United Nations ("**UN**") Sustainable Development Goals ("**SDGs**") and the Paris Agreement on Climate Change.

Under the Bank's Sustainable Finance Framework (as maybe updated or amended from time to time, the "**Sustainable Finance Framework**"), the Bank intends to issue sustainable finance instruments ("**SFIs**") (e.g., bonds and/or loans) to fund loans and projects that have clear environmental and/or social benefits.

Use of Proceeds

The Bank intends to allocate an amount equivalent to the net proceeds of each Green Bond, Social Bond or Sustainability Bond to finance and/or refinance, in whole or in part, the Bank's loans to customers or its own operating activities under the "*Eligible Green Categories*" with an identified subset of "*Eligible Blue Categories*" and/or "*Eligible Social Categories*" (each, an **Eligible Category** and together, the **Eligible Categories**), as set out in the "*Use of Proceeds*" section of the Sustainable Finance Framework (the "**Eligible Projects**").

For the avoidance of doubt, loans that are sanctioned for general corporate purposes must be for businesses with at least 90%. of their asset or revenue derived from the Eligible Categories at the time of consideration.

Where the use of proceeds is for refinancing of operational expenditures, a maximum look-back period of three years from the issuance date of the SFI shall be applied.

Project Evaluation and Selection

The selection of Eligible Projects will be performed by the Bank's respective business units in nominating loans or projects in accordance with the Eligible Categories and evaluating them in accordance with the Bank's Environmental and Social Management System (ESMS) policy and the Philippines Standard Industrial Classification system.

The prospective Eligible Asset will be subject to the evaluation and approval of a separate committee composed of members from the Credit Risk, Business and Sustainable Finance teams. A project will only be approved if it meets the ESMS criteria and the Eligible Categories.

Management of Proceeds

Allocation of Proceeds

The Bank intends to allocate all proceeds from SFIs to Eligible Projects on a best-efforts basis within 24 months of issuance.

Tracking of Proceeds

The SFI proceeds will be managed by the Bank's Balance Sheet Management team and Sustainable Finance division using a portfolio approach, and would be allocated as follows:

- Green Bonds or Green Loans to the Eligible Green Portfolio
- Social Bonds or Social Loans to the Eligible Social Portfolio
- Blue Bonds or Blue Loans to the Eligible Blue Portfolio
- Sustainability Bonds or Sustainability Loans to both Eligible Green Portfolio and Eligible Social Portfolio

The Bank will aim to achieve and maintain, on a best-efforts basis, a level of allocation for the Eligible Projects that at least matches or exceeds the net proceeds from its SFIs.

During the life of the SFIs, if an asset ceases to fulfil the eligibility criteria, the Bank will remove the relevant asset from the relevant asset portfolio and replace it with eligible asset(s) at least equivalent in amount to the asset that was removed, when necessary, as soon as reasonably practicable. To prevent double counting, the Bank will ensure that any Eligible Projects (especially those with more than one affiliation with the Use of Proceeds category) will not be listed more than once in either of the categories.

Use of Unallocated Proceeds

Unallocated funds representing proceeds of any SFI issued under the Sustainable Finance Framework will be held by the Bank in cash or cash equivalents.

Reporting

The Bank intends to report on the allocation of proceeds in a limited assurance report (the Assurance Report) while the impact of the proceeds will be reported in a separate impact report, both of which will be published on the Bank's website on an annual basis until full allocation. Reporting will take place a year following the issuance of the applicable SFI and will be renewed annually until full allocation of the net proceeds.

External Review of the Bank's Sustainable Finance Framework

The Bank has appointed Sustainalytics, an independent second-party opinion provider, to review the Sustainable Finance Framework for alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023, Social Loan Principles 2023, ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018. The Opinion is available on the Bank's website at https://www.rcbc.com/sustainability. For the avoidance of doubt, the contents of the Bank's website are not incorporated into and does not form part of this Offering Circular.

USE OF PROCEEDS

The net proceeds of the issuances under the Programme, after deducting fees, commissions and other related expenses will be used and/or allocated by the Bank:

(a) to support asset growth, re-finance maturing liabilities, and other general funding purposes; or

(b) if so specified in the applicable Pricing Supplement, to finance or refinance, in whole or in part, the Eligible Projects in accordance with certain prescribed eligibility criteria as described in the Sustainable Finance Framework.

The Joint Arrangers, the Selling Agents and the Lead Arranger/s and Bookrunner/s have not separately verified nor will make any assurance as to (i) whether the Green Bonds, Social Bonds or Sustainable Bonds issued under the Sustainable Finance Framework will meet investor criteria and expectations regarding sustainable development for any investors; (ii) whether the net proceeds from the Green Bonds, Social Bonds or Sustainable Bonds issued under the Sustainable Finance Framework will be used to finance and/or re-finance Eligible Projects; or (iii) the characteristics of the Eligible Projects, including their sustainable development criteria. See "*Investment Considerations – The Bonds being issued as green, social, and/or sustainability Bonds may not be a suitable investment for all investors seeking exposure to sustainable assets*", "*Investment Considerations – In respect of Bonds issued as Green Bonds, Social Bonds, or Sustainability Bonds, there can be no assurance that the particular use of proceeds will be suitable for the investment criteria of an investor*" and "*Investment Considerations – There is no current market consensus on what constitutes a 'green', 'sustainable', 'social' or equivalently-labelled project*".

GENERAL TERMS AND CONDITIONS OF THE RIZAL COMMERCIAL BANKING CORPORATION PESO-DENOMINATED BONDS UNDER THE BOND AND COMMERCIAL PAPER PROGRAMME

These Peso-Denominated Bonds within the unissued balance (the "**Programme Limit**" as may be amended from time to time) under the ₱200 Billion Bond and Commercial Paper Programme of Rizal Commercial Banking Corporation (the "**Bank**", "**Issuer**", and "**RCBC**") are being issued by the Bank in favor of the Trustee for the benefit of the Bondholders (as defined below) in accordance with these General Terms and Conditions, the Contracts and the Governing Regulations. For the avoidance of doubt, the Existing Bonds (as defined below) are not covered and are not governed by these General Terms and Conditions and the Contracts.

1.0 Definitions and Interpretation

(a) When used in these General Terms and Conditions:

Accreted Value means the present value of the zero-coupon bonds including compounded interest thereon as of a relevant date, calculated in accordance with the following formula:

$$\text{Accreted Value} = R * (1 + X/4)^{A} * (1 + X/4)^{((Bx30+C)/90)}$$

where:

"R" is equal to the Issue Price; and

"X" is equal to the Yield-to-Maturity; and

"A" is equal to the number of full 3-month periods (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from and including the Issue Date to, but excluding the date upon which the zero-coupon bonds are declared immediately due and payable, and which assumes a quarterly calculation unless otherwise indicated in the Pricing Supplement; and

"B" is equal to (i) the number of full months (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from and including the Issue Date to, but excluding the date upon which the zero-coupon bonds are declared immediately due and payable, minus (ii) "A" multiplied by three; and

"C" is equal to the number of days calculated as the difference between (i) the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from and including the Issue Date, to, but excluding the date upon which the zero-coupon bonds are declared immediately due and payable, and (ii) the sum of "A" multiplied by 90 plus "B" multiplied by 30.

AMLC means the Anti-Money Laundering Council created to implement the Anti-Money Laundering Laws of the Philippines;

Anti-Money Laundering Laws of the Philippines means Republic Act No. 9160, as amended by Republic Act Nos. 9194, 10167, 10365, and 10927, Republic Act No. 10168, otherwise known as The Terrorism Financing Prevention and Suppression Act of 2012, and BSP Circular Nos. 251, 253, 279, 302, 495, 527, 564, 608, 612, 706, 794, 950, and

1022, and all other amendatory laws and implementing rules and regulations, jurisprudence, notices, or orders of any Philippine governmental body relating thereto;

Arrangers means, collectively, the relevant Arranger/s and the relevant Lead Arranger/s and Bookrunner/s appointed by the Issuer from time to time. For the avoidance of doubt, the term "***Arranger***" shall refer to such entities appointed by the Bank as Arranger for the establishment, maintenance, and update of the Programme, and for purposes of the Programme Agreement are Standard Chartered Bank and RCBC Capital Corporation (as "***Joint Arrangers***" for the Programme). On the other hand, the term "***Lead Arranger and Bookrunner***" shall refer to such entities appointed by the Bank as Lead Arranger and Bookrunner for the management of the offering and issuance of a Series or Tranche of Bonds as indicated in the relevant Issue Management and Placement Agreement and the applicable Pricing Supplement for the relevant Series or Tranche. Such terms be references to the Lead Arranger/s and Bookrunner/s with whom the Bank has agreed to issue and purchase of such Bonds/Commercial Papers as indicated in the relevant Issue Management and Placement Agreement and the applicable Pricing Supplement for the relevant Series or Tranche but excludes any entity whose appointment has been terminated pursuant to the relevant provisions of the Programme Agreement or the Contracts as applicable;

Bank or ***Issuer*** means Rizal Commercial Banking Corporation, a corporation duly organized and existing under the laws of the Philippines, and duly authorized to operate as a universal bank;

BIR means the Bureau of Internal Revenue of the Philippines;

Benchmark Rate means the relevant BVAL rate (or its successor benchmark) as determined by the Paying Agent for a particular Interest Period, as applicable and referred to in the Pricing Supplement, and which refers to the Bloomberg Valuation Reference Rates as shown in PDEX1 page of Bloomberg as of 4:30 pm on Interest Setting Date. The Paying Agent shall give the Issuer (for its confirmation) and the Registrar written notice of the Benchmark Rate and the basis thereof no later than 5:00 P.M. of a relevant Interest Setting Date;

Bond and Commercial Paper Programme means the programme established by the Bank for the issuance of bonds and commercial papers in accordance with the applicable Governing Regulations, as may be updated from time to time;

Bond Certificate means the certificate to be issued by the Bank to the Trustee evidencing and covering such amount corresponding to a Series or Tranche of Bonds issued on the relevant Issue Date, and when issued in relation to Commercial Papers, is to be referred to as a ***CP Certificate***;

Bondholder means a person who is not a Prohibited Bondholder and who, at any relevant time, appears in the Registry as the registered owner of a Bond issued under a specific Series or Tranche of Bonds;

Bonds means the bonds or commercial papers issued pursuant to the Programme which has such maturity and interest rate as may be agreed upon by the Bank and the relevant Lead Arranger/s and Bookrunner/s evidenced by a corresponding Bond Certificate. For purposes of the Programme and the Contracts, the term Bonds shall include, as appropriate and applicable, Commercial Papers. These Bonds can be issued in any form allowed by the Governing Regulations, including without limitation, with a fixed or floating interest rate, as zero-coupon bonds, green, social, or sustainable, tokenized or non-tokenized or digital bonds. It may be issued through various portals or distribution systems allowed by the Governing Regulations including, without limitation, the "Electronic Securities Issue Portal" or "e-SIP" of the PDS Group, which is the e-Securities Issue Portal established and maintained by the Philippine Dealing System Holdings Corp. e-SIP is a permissioned web-based facility designed as a gateway to streamline processes in the primary issuance of fixed income instruments, available to identified stakeholders such as issuers, underwriters or arrangers, selling agents and client investor applicants. e-SIP will serve as an electronic channel for submission of documents for listing, enrollment, and registration of bondholders, as this may be updated from time to time. Only such Bonds issued within the Programme Limit will be governed by these General terms and Conditions and the Contracts. For the avoidance of doubt, the Existing Bonds are excluded from the term Bonds.

BSP means the Bangko Sentral ng Pilipinas;

Business Day means any of the days in a week, other than Saturday or Sunday, and public holidays on which commercial banks, the Philippine Clearing House Corporation, and foreign exchange markets in Metro Manila and Makati City are required or authorized to be open for business. All other days not otherwise specified shall mean calendar days;

Cash Settlement Account means an account designated by a Bondholder with a Cash Settlement Bank into which shall be credited the interests, principal, and other payments on the Bonds;

Cash Settlement Bank means a bank licensed and authorized under the laws of the Philippines and designated by the Bondholder as the bank with which the relevant Cash Settlement Account is maintained, such designation to be made in accordance with the procedures of the Paying Agent;

Closed Period means the relevant period described in Condition 8(b)(i) and 8(b)(ii), during which no person may request any transfer of Bonds to be recorded in the Registry, and no transfers of Bonds may be recorded in such Registry;

Commercial Paper/s means the commercial papers issued pursuant to the Programme which has a maturity of one year or less and issued typically at a discount from its face value as may be agreed upon by the Bank and the relevant Lead Arranger/s and Bookrunner/s evidenced by a corresponding Bond CP Certificate and Pricing Supplement;

Contracts means insofar as the Bonds to be issued within the Programme Limit are concerned: (a) the Programme Agreement; (b) the Registry and Paying Agency Agreement; (c) the Trust Agreement; (d) the Bond Certificate for each Series or Tranche of Bonds; (e) these General Terms and Conditions, including amendments thereto; (f) the Pricing Supplement for each Series or Tranche of Bonds; (g) the relevant Issue Management and Placement Agreement; and (h) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto. For the avoidance of doubt, the Existing Bonds are not to be covered by and are not to be governed by these General Terms and Conditions and the Contracts;

Early Redemption Amount means, in the case of Fixed and Floating Rate Bonds, an amount equal to the aggregate issue price, plus accrued and unpaid interest as of the Early Redemption Date, and, in the case of zero-coupon bonds, the Accreted Value;

Early Redemption Date means a date falling on an Interest Payment Date when the Early Redemption Option is exercised by the Bank; provided, that if any Early Redemption Date is not a Business Day, then the Early Redemption Amount or the Accreted Value, as applicable, will be paid on the next succeeding Business Day without any adjustment as to the amount of yield, interest, or coupon to be paid;

Early Redemption Option means the option of the Bank to pre-terminate and redeem the Bonds in whole, but not in part, before Maturity Date at the Early Redemption Amount or the Accreted Value, as applicable, on any Early Redemption Date, subject to the provisions of the Governing Regulations;

Event of Default means an event specified as such in Condition 11;

Existing Bonds means such bonds under the Bond and Commercial Paper Programme in the aggregate principal amount of Thirty Billion Five Hundred Million Pesos (₱30,500,000,000.00) that have been previously issued in three tranches with the following principal amounts, respectively, Fifteen Billion Pesos (₱15,000,000,000) on 1 February 2019, Eight Billion Pesos (₱8,000,000,000) on 4 June 2019, and Seven Billion Five Hundred Million Pesos (₱7,500,000,000) on 13 November 2019. For the avoidance of doubt, the Existing Bonds are not covered by and are not governed by these General Terms and Conditions and the Contracts.

External Auditors mean the authorized third-party auditors of the Issuer, currently being Punongbayan & Araullo;

Final Redemption Amount means in the case of Fixed and Floating Rate Bonds, 100% of the aggregate nominal amount of the Bonds, plus accrued and unpaid interest up to, but excluding, the Maturity Date, and in the case of zero-coupon bonds, the face value of the zero-coupon bonds determined up to but excluding the Maturity Date;

General Terms and Conditions means in relation to any Series or Tranche of Bonds (excluding the Existing Bonds), these terms and conditions endorsed on or incorporated into the Bond Certificate constituting each Series or Tranche, as may be modified or supplemented by the relevant Pricing Supplement, and as may be amended or updated from time to time;

Governing Regulations means all the necessary rules and guidelines for the issuance of the Bonds, including, where applicable, the General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Banks

(“***MORB***”), BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. M-2020-01, SEC Memorandum Circular (“**MC**”) No. 12 (Series of 2018), SEC MC No. 08 (Series of 2019) on the Guidelines on the Issuance of Bonds under the ASEAN Bonds Standards in the Philippines, SEC MC No. 9 (Series of 2019), and any other circulars and regulations as may be relevant for the issuance of any Series or Tranche of Bonds, as these may be amended from time to time;

Group means the Issuer and its Subsidiaries, taken as a whole, and each of them being a member of the Group;

Indebtedness means indebtedness for monies borrowed or any guarantee or indemnity for monies borrowed, other than the indebtedness under the Bonds;

Initial Selling Agents means each of RCBC and Standard Chartered Bank, and their respective successor entities;

Interest means for any Interest Period, the interest payable on the Fixed or Floating Rate Bonds or the Yield-to-Maturity in the case of zero-coupon bonds, as reflected in the relevant Pricing Supplement;

Interest Payment Date means, in respect of any Series or Tranche of Bonds, the last day of a particular Interest Period when interest in respect of the relevant Series or Tranche of Fixed or Floating Rate Bonds is due and payable to the Bondholders as set out in the relevant Bond Certificate and Pricing Supplement, except that the last Interest Payment Date shall be on the Maturity Date provided, that if any Interest Payment Date is not a Business Day, then interest will be paid on the next succeeding Business Day without any adjustment as to the amount of interest to be paid;

Interest Period means, in respect of any Series or Tranche of Bonds, the period from and including the Issue Date to, but excluding the first Interest Payment Date, and every succeeding subsequent period beginning on and including the immediately preceding Interest Payment Date to, but excluding the next Interest Payment Date, but in the case of the last Interest Period, it will be the period from and including the immediately preceding Interest Payment Date up to, but excluding, the Maturity Date;

Interest Rate means (i) in the case of Fixed Rate Bonds, the rate per annum as indicated in the relevant Bond Certificate to be issued by the Bank, being the fixed per annum rate payable to the Bondholders for the entire tenor of a Series or Tranche of Bonds, and (ii) in the case of Floating Rate Bonds, for each relevant Interest Period, the rate of interest equivalent to the applicable Benchmark Rate plus a fixed spread per annum on the outstanding principal of the Floating Rate Bond, to be repriced and redetermined on each Interest Rate Setting Date;

Interest Rate Setting Date means in the case of Floating Rate Bonds, the Interest Payment Date for the immediately preceding Interest Period, provided, that for the first Interest Period, the Interest Setting Date shall be a date prior to Issue Date;

Issue means the issuance of a Series or Tranche of Bonds by the Bank pursuant to these General Terms and Conditions and the relevant Pricing Supplement;

Issue Date means, with respect to any Series or Tranche of Bonds, the date of issuance of such Series or Tranche of Bonds, pursuant to and in accordance with the Programme Agreement as set out in the relevant Pricing Supplement, or such other date as the Bank may advise the Registrar and Trustee in writing;

Issue Management and Placement Agreement means the agreement executed in relation to each Series or Tranche of Bonds which sets out the terms on which the Bank shall engage the relevant Lead Arranger/s and Bookrunner/s and Selling Agents appointed for the issuance of a particular Series or Tranche of Bonds;

Issue Price means the price of a Series or Tranche of Bonds that is at par or 100% of face value, or if a zero-coupon bond, at a discount to the face value thereof, as set out in the relevant Bond Certificate and Pricing Supplement;

Majority Bondholders means the holder or holders of more than fifty percent (50%) of the principal amount of the Bonds within a particular Tranche or Series then outstanding. For the avoidance of doubt, the Bondholders under the entire Programme will not be aggregated for purposes of determining a Majority Bondholder;

Material Adverse Effect means a material adverse effect on the operations, activities, business, properties, liabilities, condition (financial or otherwise), results of operations, general affairs or prospects of the Issuer and its Subsidiaries, taken as a whole, whether or not arising in the ordinary course of business; or the implementation of the issuance of the Bonds; or the ability of the Issuer to perform and observe its obligations under the Contracts or the Bonds.

Maturity Date means the date at which the Series or Tranche of Bonds will be redeemed in accordance with the relevant Bond Certificate and the relevant Pricing Supplement; provided, that, if such date is declared to be a non-Business Day, the Maturity Date shall be the next succeeding Business Day, without adjustment to the amount of interest to be paid;

Offering Circular means this Offering Circular (including, for the avoidance of doubt, the consolidated financial statements of the Issuer included therein) in preliminary and final form in respect of the Programme, and all amendments, supplements, and addenda thereto;

Paying Agent means the PDTC as appointed by the Bank under the Registry and Paying Agency Agreement, to perform the role of a paying agent required under the Governing Regulations and includes its successor entity, or any replacement Paying Agent;

Payment Account means, in respect of a Series or Tranche of Bonds issued pursuant to the Programme, the account to be opened and maintained by the Paying Agent with such Payment Bank designated by the Issuer and solely managed by the Paying Agent in trust and for the irrevocable benefit of the Bondholders, into which the Issuer shall deposit the amount of the interest and/or principal and other payments due on the Bonds on the relevant dates and exclusively used for such purpose, the beneficial ownership of which shall always remain with the Bondholders;

Payment Bank means, in respect of any Series or Tranche of Bonds, a duly-licensed bank designated by the Issuer, where the relevant Payment Account will be opened, maintained, and managed by the Paying Agent for and on behalf of the Issuer, into which the Issuer shall deposit, in good cleared funds, the amount of the relevant interest and principal payments due each Bondholder on each relevant Payment Date;

PDEx means the Philippine Dealing & Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the PDS Group;

PDIC means the Philippine Deposit Insurance Corporation, a government instrumentality attached to the Department of Finance, and established pursuant to Republic Act No. 3591, as amended by Republic Act No. 10846, with the following principal roles: deposit insurer, co-regulator of banks, and receiver and liquidator of closed banks;

PDS Group means the group of companies comprised of the Philippine Dealing System Holdings Corporation, which is the parent company of the group, and its operating subsidiaries, which are affiliates of PDTC (as defined below); namely, PDEx and the Philippine Securities Settlement Corp.;

PDTC means the Philippine Depository & Trust Corp., a private financial institution duly authorized to perform registry and paying agency functions by the appropriate authorities, and organized and existing under and by virtue of the laws of the Republic of the Philippines;

Philippine Pesos or ***Pesos*** or the symbol ₱ means the lawful currency of the Republic of the Philippines;

Pricing Supplement means the pricing supplement issued in relation to each Series or Tranche of Bonds, which gives details of such Series or Tranche and, in relation to any particular Series or Tranche of Bonds, “relevant Pricing Supplement” means the Pricing Supplement applicable to that Series or Tranche, such as Interest Rate, Interest Payment Dates, Tenor and Maturity Date and such other similar series- specific terms, in relation to any particular Series or Tranche of Bonds;

Programme means, as of the date of the Programme Agreement, the Bond and Commercial Paper Programme established by the Bank for the issuance of Bonds from time to time and as implemented by, among others, this Programme Agreement and the Contracts, with the aggregate principal amount of up to ₱200,000,000,000, as updated or amended from time to time;

Programme Agreement means the Programme Agreement executed among the Issuer, the Joint Arrangers and the Initial Selling Agents dated on or about 17 March 2020, as amended and restated on 8 May 2025, as may be further modified, supplemented, or amended from time to time as this applies to the Bonds to be issued within the Programme

Limit. For the avoidance of doubt, the Existing Bonds are not covered by and are not governed by the Program Agreement, these General Terms and Conditions, and the Contracts.

Prohibited Bondholders means persons and entities which are prohibited from purchasing and/or holding the Bonds pursuant to regulations governing the Bank, specifically:

(1) (a) the Issuer, (b) the Issuer's "related parties" as defined in (and subject to exemptions under) the MORB, including but not limited to (i) subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Issuer exerts direct/indirect control over or that exerts direct/indirect control over the Issuer, (ii) the Issuer's directors, officers, stockholders, and their related interests ("**DOSRI**"), and their "close family members", as well as corresponding persons in affiliated companies including such other person/juridical entity whose interests may pose potential conflict with the interest of the Issuer, each as defined in the MORB, (iii) linkages to the foregoing, whether direct or indirect, as defined in the MORB, except where the Issuer purchases and cancels the Bonds under the conditions listed in Condition 5(b)(iii) of these General Terms and Conditions, in each instance to the extent that such "related party" is in possession or has access to material and non-public information affecting the pricing and marketability of the Bonds or Commercial Papers or that which substantially impacts an investor's decision to buy or sell the Bonds or Commercial Papers once the same are disseminated to the public; or

(2) such persons who are otherwise not qualified under the Governing Regulations including any other person whose acquisition, holding, or transfer of the Bonds would violate any applicable law or regulation, including but not limited to the rules of the PDEx, BSP, AMLC, or other government regulation in any relevant jurisdiction; or

(3) persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time ("**FATCA**"), which include: (a) a U.S. citizen (including a dual citizen who may have another citizenship besides having a U.S citizenship); (b) a U.S. resident alien for tax purposes, which includes a person who has substantial presence in the U.S. ("substantial presence" is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year); (c) a U.S. partnership, U.S. corporation, or U.S. entity; (d) a U.S. estate; (e) a U.S. trust if a court within the United States is able to exercise primary supervision over the administration of the trust, or one or more U.S. persons have the authority to control all substantial decisions of the trust; or (f) any other person that is not a non-US person under the FATCA; or

(4) persons classified as a Restricted Party.

For purposes of the definition of Prohibited Bondholders, a ***subsidiary*** means, at any particular time, a company which is then directly controlled, or more than fifty percent (50%) of whose issued voting equity share capital (or equivalent) is then beneficially owned, by the Bank and/or one or more of its subsidiaries or affiliates. An ***affiliate*** means, at any particular time, a company at least twenty percent (20%) but not more than fifty percent (50%) of whose issued voting equity share capital is then owned by the Bank. For a company to be ***controlled*** by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has the power to control the affairs and policies of that company;

Purchaser means a prospective primary Bondholder who intends to purchase Bonds, as applicable, in the primary market through the Selling Agents and submits an Application to Purchase for that purpose;

Record Date means as used with respect to any relevant payment date, two (2) Business Days immediately preceding such Payment Date, which shall be the cut-off date in determining the existing Bondholders entitled to receive interest, principal, and other payments due, or such other date duly notified by the Issuer;

Registrar means PDTC as appointed by the Issuer under the Registry and Paying Agency Agreement to perform the role of a registrar required under the Governing Regulations, and includes its successor entity, or any replacement Registrar;

Registry means, in relation to any Series or Tranche of Bonds, the electronic records of the Registrar bearing the official and best evidence of information of the names and other details of the Bondholders and the amount of Bonds held by each holder, including records of all transfers and transactions in respect of the Bonds;

Registry and Paying Agency Agreement means the agreement executed by and between the Bank and the Registrar and Paying Agent dated on or about 17 March 2020, as amended and supplemented by the first amendment agreement to the Registry and Paying Agency Agreement dated on or about 23 August 2022 and the second amendment agreement to the Registry and Paying Agency Agreement dated on or about 8 May 2025, stipulating the rights and obligations of the Registrar and Paying Agent with respect to the Bonds, including any amendment or supplement thereto;

Registry Confirmation means, in relation to any Series or Tranche of Bonds, the written advice to be sent by the Registrar to the Bondholders, which includes the Securities Receipt Confirmation and the Registry Account Opening Confirmation attached thereto and made an integral part thereof, whether signed by an authorized signatory when issued with alterations or signatureless when computer-generated, confirming the details and summary terms and conditions of Bonds registered in the Registry in the name of a Bondholder. If computer-generated, the written confirmation shall include the statement that it is a computer-generated form, and if issued without alterations, does not require any signature;

Restricted Party means a person that is: (a) a target of, or owned or controlled by a person or persons that are the target of, or acting on behalf of a person or persons that are the target of, any Sanctions; (b) located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions, including, without limitation, the Crimea, Donetsk, and Luhansk regions of Ukraine, Cuba, Iran, North Korea, Sudan, and Syria; or (c) otherwise listed on any Sanctions List ("target of Sanctions" signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities);

Sanctions means the sanctions laws, regulations, embargoes, or restrictive measures administered, enacted or enforced by: (i) the Philippines; (ii) the United States government; (iii) the United Nations; (iv) the European Union (v) the United Kingdom; (vi) the Hong Kong Monetary Authority; or (vii) the respective governmental institutions and agencies of any of the foregoing, including, without limitation, the Office of Foreign Assets Control of the United States Department of Treasury (*OFAC*), the United States Department of State, and Her Majesty's Treasury (*HMT*) (together the *Sanctions Authorities*);

Sanctions List means the "Specially Designated Nationals and Blocked Persons", "Consolidated Sanctions" and "Sanctions Programs and Country Information" lists maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by HMT, or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities;

SEC means the Philippine Securities and Exchange Commission;

Securities and Regulation Code refers to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended from time to time;

Selling Agent means with respect to each Series or Tranche of Bonds, each or any one of the entity/ies which the Issuer may appoint as selling agent of such Series or Tranche of Bonds as specified in the Issue Management and Placement Agreement and the relevant Pricing Supplement, and includes the Initial Selling Agents for the first Tranche of Bonds;

Series means a Tranche of Bonds, as the case may be, together with any further Tranche or Tranches of Bonds, as the case may be, which are (a) expressed to be consolidated and form a single series, and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions Bonds of the relevant Series, Bondholders of the relevant Series, and related expressions shall (where appropriate) be construed accordingly;

Subsidiary means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer controls (by contract or otherwise) a majority of the voting rights, or (iv) which at any time has its accounts consolidated with those of the Issuer or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time should have its accounts consolidated with those of the Issuer, and includes any company which is a Subsidiary of a Subsidiary of the Issuer;

Trading Participant means a trading participant of PDEx defined as such under the rules and regulations of PDEx;

Tranche means all Bonds which are identical in all respects (including as to listing and admission to trading);

Trust Agreement shall mean the indenture or agreement executed by and between the Issuer and the Trustee dated on or about 17 March 2020 as amended on or about 8 May 2025, stipulating the rights and obligations of the Trustee with respect to the Bonds and the Bondholders, including any amendment or supplement thereto;

Trustee shall mean the Trust Banking Group of the Development Bank of the Philippines as appointed by the Bank for each Series or Tranche of Bonds in accordance with the Trust Agreement and Pricing Supplement and the Governing Regulations; and

Yield-to-Maturity means the fixed per annum rate in respect of the zero-coupon bonds, as calculated on a quarterly, 30/360 basis, and is the basis in determining the Issue Price and the Final Redemption Amount of the zero-coupon bonds; it will be fixed for the life of the Bonds and shall be such yield-to-maturity as determined.

All terms defined in these General Terms and Conditions shall have their defined meanings when used herein, and in any certificate, report, or other document or instrument made or delivered pursuant hereto. Titles of provisions in these General Terms and Conditions are used for convenience of reference only, and do not limit or affect the interpretation of the provisions hereof. Words denoting persons shall include individuals, corporations, partnerships, joint ventures, trusts, unincorporated organizations, political subdivisions, agencies, or instrumentalities. Other than to a third party, references to "party", "parties" or "parties hereto", or similar references, and references to "Condition" or "Conditions" are to be construed as references to a party or the parties to these General Terms and Conditions, and to a Condition or Conditions in these General Terms and Conditions, respectively. No representation, undertaking, or promise shall be taken to have been given or be implied from anything said or written by the Bank prior to the execution of these General Terms and Conditions, except as set out herein.

2. Form, Denomination, and Title

(a) <u>Form and Denomination</u>

The Bonds will be issued pursuant to the terms of the Trust Agreement and these General Terms and Conditions in a minimum investment size, increments of in excess thereof, and denominations of trading in the secondary market as indicated in the Pricing Supplement. Registry Confirmations will be issued in accordance with the Registry and Paying Agency Agreement and will contain a unique transaction reference number.

A Bond Certificate representing the Bonds shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders, a copy of which shall be lodged with the Registrar.

(b) <u>Bondholders</u>

The Bonds may only be issued and transferred to investors who are not Prohibited Bondholders.

(c) <u>Title</u>

Title to the Bonds shall be indicated in the Registry maintained by the Registrar. The Registry shall be the best evidence of ownership and transactions with respect to the Bonds. The initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time.

3. Status and Ranking

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable pursuant to the terms of the Trust Agreement and these General Terms and Conditions, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws other than the preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines.

The Bonds are considered exempt securities pursuant to Sec. 9(e) of the Securities Regulation Code, and are thus exempt from the registration requirements of that code.

4. Interest / Yield

(a) Interest Accrual

The Fixed and Floating Rate Bonds shall bear relevant interest on its principal amount from and including the Issue Date, but excluding the Early Redemption Date or the Maturity Date, as the case may be. The Fixed and Floating Rate Bonds shall continue to bear interest in accordance with these General Terms and Conditions until all sums in respect of such Bond are received by or on behalf of the relevant Bondholder.

The Floating Rate Bonds shall bear such applicable Interest Rate for the Interest Period concerned on its principal amount, which Interest Rate shall be to be repriced and redetermined on each Interest Rate Setting Date.

(b) Interest Payment Dates

Interest on the Fixed and Floating Rate Bonds shall be payable on each relevant Interest Payment Date as specified in the Pricing Supplement; provided that, if any Interest Payment Date or the Maturity Date is not a Business Day, then interest will be paid on the next succeeding Business Day without any adjustment as to the amount of interest to be paid.

(c) Determination of Interest

The amount of interest payable in respect of the Fixed and Floating Rate Bonds for each Interest Period shall be determined by the Registrar by applying the Interest Rate to the principal amount of the Bonds, and calculating the result on a 30/360-day basis, and the resultant figure shall be rounded to the second decimal place in accordance with the Registrar's and Paying Agent's system algorithm.

In the case of Floating Rate Bonds, the Calculation / Paying Agent shall, no later than the deadline for determination as provided in these Terms and Conditions, send written notice to the Issuer and the Paying Agent of the applicable Interest Rate for the Floating Rate Bonds for each Interest Period.

(d) Yield-to-Maturity

(i) The zero-coupon bonds shall bear the Yield-to-Maturity for its entire tenor from and including the Issue Date to until the Maturity Date, unless otherwise subject to Early Redemption.

(ii) The zero-coupon bonds do not bear any periodic coupon or any periodic interest during its tenor. Zero-coupon Bondholders shall realize the full Yield-to-Maturity upon payment of the Final Redemption Amount on Maturity Date. If either of the Early Redemption Date or the Maturity Date (as the case may be) is not a Business Day, then amounts due on that date will be paid on the next succeeding Business Day without any adjustment as to the amount of Yield-to-Maturity to be paid.

5. Redemption, Early Redemption, and Purchase

(a) Redemption at Maturity Date

Unless previously pre-terminated and cancelled in accordance with these General Terms and Conditions, the Bonds shall be redeemed by the Bank at the Final Redemption Amount on the Maturity Date.

(b) Early Redemption: Purchase

(i) *Early Redemption Option due to Change in Tax*. If any payment of principal or interest due under the Bonds becomes subject to additional or increased taxes other than the taxes and rates of such taxes prevailing as of the Issue Date as a result of changes in law, rule, or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by the use of reasonable measures available to the Bank, such event shall be considered as change in taxation ("**Change in Tax**") in reference to the obligations of the Bank and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds.

(ii) *Early Redemption Option due to Change in Law or Circumstance.* If any provision of the Trust Agreement or any of the Contracts is, or shall become, for any reason, invalid, illegal, or unenforceable to the extent that it shall become, for any reason, unlawful for the Bank to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties of their obligations under the Trust Agreement or any other related documents, such event shall be considered as change in law or circumstance ("**Change in Law**") in reference to the obligations of the Bank and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds.

In the event that the Bank invokes the Early Redemption Option under Condition 5(b)(i) (*Change in Tax*) or 5(b)(ii) (*Change in Law*), the Bank shall provide the Trustee an opinion from a reputable legal counsel (reasonably acceptable to Trustee) confirming the bases therefor. Thereupon, the Trustee, upon notice to the Bank, shall declare the principal amount of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable without any pre-payment penalty, notwithstanding anything in the Trust Agreement and other related documents to the contrary.

(iii) *Purchase and Cancellation*. The Bank may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders, and the Bondholders shall not be obligated to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. For the avoidance of doubt, the Bank may not directly or indirectly purchase the Bonds in any instance for the purpose of trading or market making.

(iv) *Manner of Exercising the Early Redemption Option.* In exercising the Early Redemption Option, the Bank shall give to the Bondholders through the Trustee, the Registrar, and, to the extent required under the Governing Regulations, the appropriate supervision and examination department of the BSP, not less than thirty (30) calendar days prior notice, stating therein the ground relied upon for the exercise of the Early Redemption Option, which ground must be one of the grounds specified in Condition 5(b)(i) or (ii). The notice referred to in this Condition 5(b)(iv) shall be published in at least two (2) newspapers of general circulation in the Philippines in accordance with SEC Memorandum Circular No. 1 (2008) for two (2) consecutive days at any time prior to the exercise of such Early Redemption Option. Once issued, said notice shall be irrevocable, and shall be binding on the Bank and each Bondholder.

(v) *Payments; Taxes.* After the issuance of the notice under Condition 5(b)(iv), the Bank shall be obliged to repay all of the Bonds at the Early Redemption Amount on the Early Redemption Date. On the Early Redemption Date and following payment of the Early Redemption Amount, the Registrar shall transfer all of the interests of the Bondholders in the Bonds to the Bank. All such Bonds pre-terminated pursuant to this Condition 5(b) shall then be deemed fully redeemed and cancelled.

As a consequence of the exercise of the Early Redemption Option under Condition 5(b)(i) and (ii), any incremental tax that may be due on the interest income already earned under the Bonds prior to or as a result of the exercise by the Bank of its option for pre-termination shall be for the account of the Bank.

(vi) *No Pre-termination by Bondholders*. Except as otherwise contemplated under Condition 12 on account of the occurrence of an event described under Condition 11 ("**Events of Default**"), none of the Bondholders shall have the right to require the Bank to redeem and repay any or all of the Bonds before the Maturity Date. In accordance with the Governing Regulations, transfers of the Bonds to a person other than the Bank shall not constitute pre-termination. To the extent applicable, for tax purposes, however, negotiations/transfers from a Bondholder to another shall be subject to the pertinent provisions of the National Internal Revenue Code of 1997, as amended, and the applicable Bureau of Internal Revenue (BIR) regulations (the "**Tax Code**").

6. Payments

(a) Principal and interest (as applicable) as specified in the Pricing Supplement, and all other amounts payable on the Bonds net of taxes and fees, if any, shall be credited to the relevant Cash Settlement Accounts maintained with the Cash Settlement Banks.

(b) All payments on the Bonds shall be drawn by the Paying Agent from the Payment Account and shall be made in Philippine Pesos.

7. Taxation

(a) Interest income on the Bonds is subject to a final withholding tax at rates ranging from 0% to 20% to 25% depending on the tenor of the Bonds and tax status of the relevant Bondholder under relevant law, regulation, or tax treaty. Subject to Condition 8, if any payments of principal and/or interest in respect of the Bonds shall be subject to deductions and/or withholdings for or on account of any present or future taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld, or assessed by or within the Philippines or any authority therein or thereof having the power to tax, including but not limited to income, stamp, issue, registration, documentary, value-added or similar tax, or other taxes, duties, assessments, or government charges, including interest, surcharges, and penalties thereon (the ***Taxes***), then such Taxes shall be for the account of the Bondholder concerned; and if the Bank shall be required by law or regulation, or any change in interpretation or implementation of such law or regulation prevailing, to deduct or withhold such Taxes, then the Bank shall make the necessary withholding or deduction for the account of the Bondholder concerned; provided, however, that all sums payable by the Bank to tax-exempt persons shall be paid in full without deductions for Taxes or government charges, subject to the submission by the relevant Bondholder claiming the exemption of reasonable and acceptable evidence of such exemption to the Issuer as provided below.

(b) As issuer of the Bonds, the withholding of final tax on the interest due on the Bonds is the responsibility of the Bank pursuant to Section 57 of the Tax Code, and Section 2.57 of Revenue Regulations No. 2-98, as amended. The Bank may be required to abide by the terms of the BIR accreditation of the PDS Group Corporate Action Auto-Claim (CAAC) System to the extent of its applicability, and to the extent that it affects information processed by the CAAC system in relation to the Bank's listed issues.

(c) Notwithstanding the foregoing, the Bank shall not be liable for the filing of returns and other reportorial requirements, as well as the payment of the following:

(i) Income tax on any gain by a Bondholder realized from the sale, exchange, or retirement of the Bonds;

(ii) The applicable final withholding tax on interest earned on the Bonds prescribed under the Tax Code;

(iii) Gross Receipts Tax under Section 121 of the Tax Code;

(iv) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

(v) Value Added Tax ("**VAT**") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337, and as may be amended from time to time.

(d) Documentary stamp tax for the primary issue of the Bonds and the execution of the Trust Agreement and other Bond Agreement, if any, shall be for the Bank's account.

(e) The tax exemption or preferential tax treatment of Bondholders claiming exemption from any applicable tax or preferential rates shall be implemented only upon submission of the following documents to the Registrar and Paying Agent:

(i) Proof of tax exemption or entitlement to preferential tax rates:

- For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current, and subsisting tax exemption certificate, ruling, or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;
- For Tax-Exempt Personal Equity Retirement Account established pursuant to the PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;
- For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;
- For entities claiming tax treaty relief – pursuant to RMO 14-2021, prior to the payment of interest due: (1) three (3) originals of the appropriate form (currently, BIR Form 0901-I (Interest Income)) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries, (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, (4) three (3) originals of the duly notarized, consularized, or apostilled (as the case may be) Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (5) an original or certified true copy of the Certificate of Entitlement ("**COE**") issued by the BIR International Tax Affairs Division ("**ITAD**") certifying the Bondholder's entitlement to tax treaty relief in connection with the Bonds. It shall be the Bondholder's sole responsibility and obligation to file the tax treaty relief application ("**TTRA**") with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the Tax Residency Certificate ("**TRC**"), together with the Application to Purchase, to the Selling Agents. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline;
- Any other document that the Bank or PDTC may require from time to time; and
- In addition, upon the request of the Issuer, Selling Agent, or the Registrar, as the case may be, the Bondholder shall submit an updated Part II (A), (B), (C), and (D) of the CORTT Form.

(ii) A duly notarized declaration and undertaking, in the prescribed form, declaring and warranting its tax-exempt status, declaring and warranting that the same Bondholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is specifically subject to a preferential tax rate for the relevant tax, and undertaking to immediately notify the Bank and the Registrar of any suspension, revocation, or modification of its tax exemption or treaty privileges, and agreeing to indemnify and hold the Bank, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, expenses, penalties and liabilities resulting from the non-withholding or reduced withholding of the required tax; and

(iii) Such other documentary requirements as may be reasonably required by the Bank or the Registrar and Paying Agent, or required under the applicable regulations of the relevant taxing or other authorities.

8. Transfers of Bonds

(a) Transfers

All transfers of the Bonds shall be executed only through PDEx and its Trading Participants, subject to *inter alia* the payment to the PDEX and its Trading Participants and/or the Registrar of any reasonable fees, as the agreements between them would dictate. Transfers of the Bonds to a person other than the Bank shall not constitute pre-termination.

(b) Closed Periods

No person may require the transfer of any Bonds to be registered by the Registrar in the Registry: (i) during the period of two (2) Business Days preceding (and including) the Early Redemption Date or the Maturity Date, as the case may be; and (ii) during the period of two (2) Business Days preceding any Interest Payment Date. The Registrar will prevent any transfer of the Bonds to be recorded in the Registry during any Closed Period. The Registrar shall recognize and treat only those Bondholders registered as such in the Registry as of the relevant Record Date as the owners of the corresponding Bonds for any relevant payment or allocation purpose.

(c) Registry: Legal Title and Transfers

The Registry shall be kept at the specified office of the Registrar and shall contain the names and addresses of the Bondholders, the particulars of the Bonds held by them, as well as all records of purchases and transfers of Bonds, whether Trade Related or Non-Trade Related. Title to the Bonds shall be shown in the Registry maintained by the Registrar. For purposes of this clause, the term "Trade Related" mean transactions on the Bonds other than Non-Trade Transactions executed through PDEx (upon listing of the Bonds), while Non-Trade Transactions means transactions relating to the Bonds under any of the following instances: (i) nomination or change of nominated custodian by the beneficial owner of the Bonds; (ii) succession, provided that the heirs and successors-in-interest present a court order of partition or deed of extrajudicial settlement and the proper documentation evidencing the payment of applicable taxes and a certificate authorizing the transfer of the Bonds from the Bureau of Internal Revenue ("**BIR**"); (iii) donation, provided that the donor presents a valid deed of donation and documents to evidence the payment of applicable taxes and a certificate authorizing the transfer of the Bonds from the BIR; (iv) request for recording or annotation of interests or liens on the Bonds of any party arising from transactions such as, but not limited to, pledge or escrow, provided that the pledgor or the beneficiary of the escrow shall present a proper contract of pledge or escrow agreement; and (e) such other transactions that may be deemed valid and "free of payment" transactions by PDTC; provided, that such transfer is not in violation of any law or regulation or made in circumvention thereof; Provided, further that, the burden of proving the validity of a "free of payment" transaction rests with the transferor of the Bonds.

Upon any transfer of the Bonds and subject to compliance with applicable conditions for transfers of the Bonds, including, but not limited to, the due execution and delivery by the transferor Bondholder of (i) a written instruction (in form and substance acceptable to the Registrar and Paying Agent and/or the Trading Participant) from a transferor-Bondholder to transfer all or part of the Bonds registered in its name; (ii) the delivery by the transferor-Bondholder of the transfer instructions required by the Registrar and Paying Agent pertaining to the Bonds intended to be transferred; and (iii) such other documents required by the Registrar and Paying Agent and/or a Trading Participant in accordance with the Registry and Paying Agency Agreement and the Registrar's rules, then transfers shall be recorded in the Registry, and new Registry Confirmations will be issued by the Registrar in favor of the transferees/purchasers of the affected Bonds. Upon such recording of the transfer, title shall then pass by registration to the transferee-Bondholder in the Registry.

Any costs associated with the settlement in respect of such transfer of the Bonds, including the settlement of taxes, if any, arising from subsequent transfers, shall be for the account of the transferor-Bondholder and/or its counterparty, as market convention or the agreements between them would dictate.

(d) Tax Status

The Trading Participant and/or the Registrar may, unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. The Trading Participant and/or the Registrar may require the Bondholder claiming a preferential tax treatment to provide proof satisfactory to it of such preferential status. Notwithstanding the submission by the Bondholder, or the receipt by the Bank or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, the Bank may, in its sole discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the appropriate tax due on the Bonds. Any question on such determination shall be referred to and be decided upon by the Bank.

(e) Change in Status

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a Business Day, provided however that transfers from a tax-exempt category to a taxable category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEx, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same tax category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "tax categories" refer to the four (4) final withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities, 25% tax-withheld entities, and 30% tax-withheld entities, as may be amended. This restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented under PDEx.

In the case of a transfer by a taxable or non-tax-exempt Bondholder in favor of any transferee, whether taxable or not taxable, the final withholding tax on the interest income earned or deemed to be earned by the transferor-Bondholder on the Bonds during the Interest Period in which the transfer is made, based on the period that such Bonds were actually held by the transferor-Bondholder, shall be deducted from the purchase price due to it.

(f) Taxes

Documentary stamp taxes as well as other taxes due on the transfer of a Bond, if any, shall be for the account of the relevant Bondholder and/or its counterparties (and shall not be for the account of the Bank), to be deducted from the purchase price due to it.

Except as otherwise contemplated under Condition 12 on account of the occurrence of an event described under Condition 11 ("**Events of Default**"), none of the Bondholders shall have the right to require the Bank to redeem and repay any or all of the Bonds before the Maturity Date. In accordance with the Governing Regulations, transfers of the Bonds to a person other than the Bank shall not constitute pre-termination. To the extent applicable, for tax purposes, however, negotiations/transfers from a Bondholder to another shall be subject to the pertinent provisions of the Tax Code.

The foregoing notwithstanding, all sums payable by the Bank to tax-exempt persons, if applicable, shall be paid in full without deductions for such taxes, subject to the submission by the relevant Bondholder claiming the exemption of such documentation as may be required under these General Terms and Conditions.

9. Representations and Warranties

The Bank hereby represents and warrants, as follows:

(a) **Incorporation**: the Issuer and each Group member is duly incorporated and validly existing under the laws of its place of incorporation with full power and authority to conduct its business as described in the Offering Circular, and is lawfully qualified to do business in those jurisdictions in which business is conducted by each of them;

(b) **Title to Property**: the Issuer and each Group member has legal and beneficial title to all its respective property in each case free and clear of all liens, encumbrances, and defects; and any real property and buildings held under lease by it or them are held by it under valid, subsisting, and enforceable leases;

(c) **Corporate Power**: the Issuer has the corporate power under the laws of its incorporation and its constitutive documents to establish and update, as the case may be, the Programme, create and issue the relevant Series or Tranche of Bonds, and to enter into and perform its obligations under and to take all other actions and to do all other things provided for or contemplated in the Contracts, and these General Terms and Conditions;

(d) **Capacity**: the Issuer (and, if applicable, any person on whose behalf it may act either as agent or in any representative capacity) has and will continue to have full capacity and authority to establish the Programme, enter into and update the Contracts, and to carry out the transactions contemplated in the Contracts, and has taken and will continue to take all actions (including the obtaining of all necessary corporate approvals and governmental consents) to authorize the execution, delivery, and performance of the Contracts;

(e) **Validity of the Bonds and Contracts**: the establishment of the Programme, the issuance of the Bonds and the execution and delivery of the Contracts by the Issuer have been duly authorized by the Issuer and, the Bonds, upon due execution, issuance and delivery in accordance with the Trust Agreement and the Issue Management and Placement Agreement, will constitute valid and legally binding obligations of the Issuer enforceable in accordance with their terms, subject to the laws of bankruptcy, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity;

(f) **Programme Limit**: the principal amount of the relevant Series or Tranche of Bonds, when issued, does not exceed the unissued principal under the Programme Limit, and the outstanding principal amount of all bonds (including the Existing Bonds) under the Programme does not exceed the maximum aggregate principal amount under the Programme;;

(g) **Status**: the Bonds will, upon issuance, constitute direct, unconditional, unsecured, and unsubordinated Peso-denominated obligations of the Issuer, enforceable against it according to these General Terms and Conditions, and shall at all times rank pari passu and ratably without any preference or priority amongst themselves, and at least pari passu with all its other present and future direct, unconditional, unsecured, and unsubordinated Peso-denominated obligations, except for any obligation enjoying a statutory preference or priority established under Philippine laws other than the preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines;

(h) **Form:** that the Bonds will, upon due execution, issue and delivery in accordance with the Contracts, be in proper legal form under the laws of the Philippines, and to ensure the legality, validity, enforceability and admissibility into evidence of the Contracts, it is not necessary that the Contracts, the Bonds or any other document or instrument be filed or recorded with any court or other authority in the Philippines;

(i) **Consents:** except for (i) the disclosure notices to be filed with the Philippine Securities and Exchange Commission following the establishment and updates, as the case may be, of the Programme and the Contracts, issuance of the relevant Series or Tranche of Bonds and (ii) the payment of documentary stamp tax on the issuance of the relevant Series or Tranche of Bonds, as applicable, all necessary actions and things required to be taken, fulfilled or done for the issue of the relevant Series or Tranche of Bonds, the carrying out of the other transactions contemplated by the Contracts or the compliance by the Issuer with the terms of the Contracts (including with respect to the payment of principal and interest on the relevant Series or Tranche of Bonds, as the case may be) have been, or by the Issue Date, will be, taken, fulfilled or done;

(j) **Approvals:** all approvals of any court, governmental agency, office, department, or other regulatory body required for the establishment and maintenance and updating of the Programme, the execution and delivery of the Contracts by the Issuer and the issuance and distribution of the relevant Series or Tranche of Bonds, and the performance of the terms of the Bonds and the Contracts by the Issuer have been obtained and are unconditional and in full force and effect, including without limitation, the final approval of the BSP to the extent that the final approval of the BSP is applicable;

(k) **BSP and SEC Conditions**: it is compliant with all qualifications and conditions of the applicable Governing Regulations to establish and maintain and update the Programme, issue, maintain, service, pay out, redeem, and cancel each relevant Series or Tranche of Bonds, the Bonds, which qualifications and conditions continue to be complied with and that the establishment and maintenance and updating of the Programme, the issuance of the Bonds in the manner described in the Offering Circular and the issue of the Offering Circular in the manner provided in the Programme Agreement will comply, where relevant, with all applicable laws, governmental or other regulations of the Philippines;

(l) **Compliance:** the establishment and maintenance and updating of the Programme, the execution and delivery of the Contracts, the issuance of the Bonds, the carrying out of the other transactions contemplated by the Contracts and these General Terms and Conditions, and compliance with their terms do not and will not (i) conflict with or result in a breach of any of the terms or provisions of, or constitute a default or violation under, the documents constituting the Issuer, or any contract, indenture, trust deed, mortgage, or other agreement or instrument to which the Issuer or any of its subsidiaries is a party or by which it or any of its properties is bound; or (ii) violate or infringe any existing applicable law, rule, regulation, judgment, order, or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over it, any such subsidiary or any of their properties. The Issuer is in compliance with all applicable laws and regulations relating to the Philippine capital markets and recommendations and findings of the BSP;

(m) **Offering Circular**: (i) the Offering Circular contains, and at the date of publication or issue contained, all material information with respect to the Issuer, the Group, the establishment and updates, as the case may be, of the Programme and the Contracts, and the relevant Series or Tranche of Bonds (including all information which is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and the rights attaching to the relevant Series or Tranche of Bonds), (ii) each of the Offering Circular as of the Agreement Date (and if amended or supplemented, at the date of any such amendment or supplement) and any other materials for use in connection with the offering and sale of any Series or Tranche of Bonds and during the roadshow, investor meetings or presentations held by the Issuer used in the offering and sale of any Series or Tranche of Bonds (including, without limitation, any roadshow or electronic roadshow materials) ("**Marketing Materials**") do not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made in the Offering Circular and any such materials, in the light of the circumstances under which they were made, not misleading and there is no other fact or matter omitted from the Offering Circular and the Marketing Materials which was or is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer or the Group and of the rights attaching to the relevant Series or Tranche of Bonds; (iii) the other financial data set forth in the Offering Circular relating to the Issuer is accurately presented and prepared on a basis consistent with the consolidated financial statements and books and records of the Group; that the Issuer and each member of the Group has no outstanding guarantees or contingent payment obligations with respect to indebtedness of third parties, except those issued in the ordinary course of business or as described in the Offering Circular; the Issuer and each Group member is in compliance with all of its obligations under any outstanding guarantees or contingent payment obligations as described in the Offering Circular; (iv) all statistical and market related data included in the Offering Circular is based on or derived from sources that the Issuer reasonably believes to be reliable and accurate in all material respects, has been accurately extracted from such source and the Issuer has obtained the written consent to the use of such data from such sources to the extent required; (v) the statements of intention, opinion, belief or expectation contained in the Offering Circular and the Marketing Materials are honestly and reasonably made or held; and (vi) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements;

(n) **Accounting Policies**: the Offering Circular accurately describes (i) accounting policies which the Issuer believes to be the most important in the portrayal of its financial condition and results of operations (the "**Critical Accounting Policies**"); (ii) material judgments and uncertainties affecting the application of the Critical Accounting Policies; and (iii) an explanation of the likelihood that materially different amounts would be reported under different conditions or using different assumptions, and the Board of Directors and audit committee of the Issuer have reviewed and agreed with the selection and disclosure of the Critical Accounting Policies in the Offering Circular and have consulted with their Auditors with regard to such disclosure;

(o) **Accounting Controls**: the Issuer maintains systems of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the Philippines and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) each of its subsidiaries and affiliates has made and kept books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of such entity and provide a sufficient basis for the preparation of the Issuer's consolidated financial statements in accordance with generally accepted accounting principles of the Philippines; and (vi) its current management information and accounting control system has been in operation for at least twelve (12) months during which none of the Issuer, its subsidiaries, or affiliates has experienced any material difficulties with regard to (i) through (v) above;

(p) **Financial Statements**: the most recently published audited consolidated financial statements of the Group (the audited accounts), and the most recently prepared unaudited interim consolidated financial statements of the Group and the other financial data extracted from such audited accounts and financial statements appearing in or incorporated by reference in the Offering Circular (i) were prepared in accordance with all applicable laws and accounting principles generally accepted in, and pursuant to the relevant laws of, the Philippines consistently applied; (ii) present a true and fair view of the financial condition of the Bank or the Group, as the case may be, as at the relevant dates at which they were prepared and the financial performance and cash flows of the Bank or the Group, as the case may be, as of and for the relevant periods in respect of which they have been prepared in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, the Philippines consistently applied; and (iii) since the date of the last audited accounts appearing in or incorporated by reference in the Offering Circular, there has been no Material Adverse Effect or any development involving a prospective Material Adverse Effect in the business, properties, condition (financial or otherwise), results of operations, general affairs or prospects of the Group, whether or not arising in the ordinary course of business;

(q) **Contingent Liabilities**: the Issuer, and each member of the Group, has no outstanding guarantees or contingent payment obligations with respect to indebtedness of third parties, except those issued in the ordinary course of business or as described in the Offering Circular; the Issuer and each Group member is in compliance with all of its obligations under any outstanding guarantees or contingent payment obligations as described in the Offering Circular;

(r) **Off-balance Sheet Arrangements**: the Offering Circular accurately and fully describes: (i) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that it believes would materially affect liquidity and are reasonably likely to occur, and (ii) all material off-balance sheet transactions, arrangements, and obligations; and neither the Issuer nor any of its subsidiaries or affiliates has any material relationships with unconsolidated entities that are contractually limited to narrow activities that facilitate the transfer of or access to assets by the Issuer or any other subsidiary or affiliate, such as structured finance entities and special purpose entities that are reasonably likely to have a material effect on the liquidity of the Issuer, its subsidiaries, or affiliates or the availability thereof or the requirements of the Issuer, its subsidiaries, or affiliates for capital resources;

(s) **Provision of Information**: all information provided by the Issuer to its External Auditors required for the purposes of their comfort letters in connection with the offering and sale of the Bonds has been supplied, or as the case may be, will be supplied, in good faith and after due and careful inquiry; such information was when supplied and remains (to the extent not subsequently updated by further information supplied to such persons prior to the date hereof), or as the case may be, will be, when supplied, true and accurate in all material respects, and no further information has been withheld, the absence of which might reasonably have affected the contents of any of such letters in any material respect;

(t) **Independence of Auditors**: the Issuer's External Auditors are independent public accountants, as required by the Philippine Institute of Certified Public Accountants, and the applicable rules and regulations thereof;

(u) **Related Party Transactions**: all material transactions of the Issuer amongst it, and Group member, and its and their respective directors, officers, management, shareholders, or any other person, including persons formerly holding such positions, are on terms that are available to and from other parties on an arm's-length basis and that the descriptions of the transactions under the caption "Related Party Transactions" (or other similar caption) in the Offering Circular are accurate descriptions in all material respects and fairly summarize the transactions described therein and do not omit any material information which affects the import of such descriptions;

(v) **Licenses, Permits, and Conduct of Business**: each member of the Group (i) has all licenses, franchises, permits, authorizations, approvals, registrations and orders, and other concessions that are necessary to own or lease its properties and conduct its businesses as described in the Offering Circular; (ii) is conducting its business and operations in compliance in all material respects with all applicable laws and regulations in each of the jurisdictions in which it conducts business and operations, including, without limitation, all regulations, guidelines, and circulars of the BSP, the SEC, the Philippine Stock Exchange (the PSE), the Philippine Deposit Insurance Corporation, and the Bureau of Internal Revenue; (iii) and, except as disclosed in the Offering Circular, all findings and recommendations of the BSP resulting from all past audits and examinations conducted by the BSP on the Issuer; and (iv) is otherwise in compliance with all agreements and other instruments to which it is a party, except where any failure to be in compliance with any of which would not have a Material Adverse Effect;

(w) **Labor Disputes**: that no material labor dispute, work stoppage, slowdown or other conflict with the employees of the Issuer exists or, to the knowledge of the Issuer, is threatened or imminent;

(x) **Insurance**: it maintains insurance with responsible and reputable insurance companies in such amounts, covering such risks as are prudent and appropriate and as are usually carried by companies engaged in similar business and owning similar properties in the same geographical areas as those in which the Issuer operates;

(y) **Intellectual Property**: except as specifically described in the Offering Circular, each Group member legally and validly owns or possesses, all patents, licenses, inventions, copyrights, know-how, trademarks, service marks, trade names, or other intellectual property (collectively, Intellectual Property) necessary to carry on the business now operated by it, and it has not received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect its interests therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would reasonably be expected to result in a Material Adverse Effect;

(z) **Litigation**: except as specifically described in the Offering Circular, there are no pending or threatened actions, suits, or proceedings including tax claims against or affecting the Issuer, its subsidiaries, or affiliates or any of their properties which, if determined adversely, would individually or in the aggregate have a Material Adverse Effect, or have, or have had in the previous 12 months, either individually or in aggregate, significant effects on the financial position or profitability of the Issuer and/or the Group, or affect the ability of the Issuer to perform its obligations under the Contracts or the Bonds, or may affect in any manner the validity and enforceability of the Contracts, or which are otherwise material in the context of the issue of the Bonds; and, to the best of the Issuer's knowledge, no such actions, suits, or proceedings are threatened or contemplated, nor is there an order of any court, administrative agency, or tribunal of competent jurisdiction that has been issued or effective which would make the consummation of the transactions contemplated by the Contracts illegal or invalid or imposing any unreasonable conditions on the consummation of the transactions contemplated by the Contracts; and the Issuer has not taken any action nor have any steps been taken or legal proceedings commenced for its winding up or dissolution;

(aa) **No Default**: that no Event of Default or event which with the giving of notice or lapse of time or other condition might constitute an Event of Default is subsisting in relation to any outstanding Bond, and no event has occurred which might constitute (after an issue of Bonds) an Event of Default thereunder, or which with the giving of notice or lapse of time or other condition might (after an issue of Bonds) constitute such an Event of Default;

(bb) **Breach of Agreements**: the Issuer and each member of the Group is not in breach of the terms of, or in default under, any instrument, agreement, or order to which it or its property is bound, and no event has occurred which with the giving of notice or lapse of time or other condition would constitute a default under any such instrument, agreement or order;

(cc) **Taxes**: (i) each of the Issuer and each member of the Group has paid all taxes applicable to it and filed all tax returns required to be paid or filed through the date hereof; and (ii) there is no tax deficiency that has been, or could reasonably be expected to be, asserted against any member of the Group or any of their respective properties or assets, except in each of (i) and (ii) for such taxes which are being contested in good faith or where the failure to pay or file or such tax deficiency that would not, individually or in the aggregate, have a Material Adverse Effect;

(dd) **Immunity**: in any proceedings taken in relation to, or arising out of, the Contracts and the Bonds, none of the Issuer nor any of its Subsidiaries, nor any of their respective properties, assets or revenues has any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding;

(ee) **Anti-money Laundering and compliance with Laws**: the operations of the Issuer and its Subsidiaries are and have been conducted at all times in compliance with applicable laws, financial record keeping and reporting requirements and the Anti-Money Laundering Laws of the Philippines, and of all jurisdictions in which the Issuer and its Subsidiaries conduct business or operations, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued and administered or enforced by any governmental agency or proceeding by or before any court or governmental agency (collectively, Money Laundering Laws) and, except as specifically described in the Offering Circular, no action, suit or proceeding by or before any court or governmental agency, authority, or body or any arbitrator involving the Issuer or any of its Subsidiaries with respect to Money Laundering Laws is pending and, to the best of the knowledge of the Issuer after making all due and careful enquiries, no such actions, suits, or proceedings are threatened or contemplated. The Issuer shall notify the relevant Arranger and Selling Agents of any breach of laws, or any action, investigation, or proceeding with respect to any breach of laws;

(ff) **Anti-Bribery**: neither the Issuer nor any of its Subsidiaries, nor any director, officer, agent, employee, affiliate or other person associated with or acting on behalf of the Issuer or any of its Subsidiaries, has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of, or is aware of any action, directly or indirectly that could result in a violation of, any provision of or any applicable anti-bribery or anti-corruption laws and/or regulations enacted in any jurisdiction applicable to the Issuer including without limitation, the U.S. Foreign Corrupt Practices Act of 1977 (the FCPA), the UK Bribery Act (the UKBA) or comparable laws or regulations of the Philippines, each as may be amended, or the rules or regulations thereunder ("**Anti-Bribery and Corruption Laws**"); or made, offered or promised to make or authorized the payment or giving of any bribe, rebate, payoff, influence payment, facilitation payment, kickback or other unlawful payment or gift of money or anything of value prohibited under any applicable law or regulation equivalent to the FCPA, the UKBA or comparable laws or regulations of the Philippines (Prohibited Payment) and the Issuer and its Subsidiaries have instituted and maintain policies and procedures to ensure compliance therewith;

(gg) **Sanctions**: neither the Issuer, nor any of its subsidiaries, affiliates, or joint ventures, nor any of their respective director, officer, or any employees nor, to the knowledge of the Issuer, any persons acting on any of their behalf:

(i) is a Restricted Party; or

(ii) has received notice of or is aware of any claim, action, suit, proceeding, or investigation against it with respect to Sanctions by any Sanctions Authority.

(hh) **Benefit to Restricted Party**: it shall not, and shall not permit or authorize any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of any transaction(s) contemplated by the Programme Agreement to fund any trade, business, or other activities: (i) involving, or for the benefit of, any Restricted Party, or (ii) in any other manner that would reasonably be expected to result in the Issuer or the relevant Arranger and Bookrunner or any Selling Agent being in breach of any Sanctions (if and to the extent applicable to either of them) or becoming a Restricted Party; and

(ii) **Solvency**: each member of the Group is Solvent. As used in this paragraph, the term Solvent means, with respect to a particular date, that on such date (i) the present fair market value (or present fair saleable value) of its assets is not less than the total amount required to pay its liabilities on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) the Issuer is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business; (iii) the Issuer is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature; (iv) the Issuer is not engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which the Issuer is engaged; (v) the Issuer will be able to meet its obligations under all its outstanding indebtedness as it falls due; and (vi) the Issuer is not a defendant in any civil action that would result in a judgment that the Issuer is or would become unable to satisfy.

These representations and warranties are true and correct as of the date of the Offering Circular and as of each relevant Issue Date and shall remain true and correct as long as the Bonds remain outstanding, by reference to the facts and circumstances then existing.

10. Covenants

The Bank hereby covenants and agrees that, for as long as the Bonds remain outstanding:

(a) **Payment**: it shall pay all amounts due under the Bonds and the Contracts at the times and in the manner specified in, and perform all its obligations, undertakings, and covenants under the Bonds and the Contracts;

(b) **Taxes**: it shall pay and discharge all taxes, assessments, and government charges or levies imposed upon it, or upon its income or profits or upon any properties belonging to it prior to the date on which penalties are assessed; pay and discharge, when due, all lawful claims which, if unpaid, might become a lien or charge upon any of its properties; and take such steps as may be necessary in order to prevent its properties from being subjected to the possibilities of loss, forfeiture, or sale; *provided*, that it shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested by it in good faith and by proper proceedings;

(c) **Corporate Existence**: it shall preserve and maintain its corporate existence, and all its rights, licenses, franchises, permits, concessions, and privileges, and it shall not change the nature of its business as presently conducted;

(d) **Negative Pledge**: it shall, for as long as the Bonds or any portion thereof remain outstanding, unless it has obtained prior consent in accordance with these General Terms and Conditions, and subject to the notification and ranking Conditions 3 and 9(f) of these General Terms and Conditions:

a. It will not create or permit to subsist any mortgage, charge pledge, lien or other form of encumbrance or security interest ("**Security Interest**") upon the whole or any part of its undertaking, assets or revenues (present or future) to secure any Indebtedness, or any guarantee of or indemnity in respect of any Indebtedness;

b. It will procure that no other person creates or permits to subsist any Security Interest upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (x) any of the Issuer's Indebtedness, or any guarantee of or indemnity in respect of any of the Issuer's Indebtedness, or (y) where the person in question is a Subsidiary of the Issuer, any of the Indebtedness of any person other than that Subsidiary, or any guarantee of or indemnity in respect of any such Indebtedness, unless, at the same time or prior thereto, the Issuer's obligations under the Bonds (i) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as approved in accordance with these General Terms and Conditions; and

c. It will not create or permit to subsist any preference or priority in respect of any other Indebtedness of the Issuer pursuant to Article 2244(14)(a) of the Civil Code of the Philippines, or any successor Philippine law providing for preferences or priority in respect of notarized Indebtedness unless amounts payable under the outstanding Bonds are granted preference or priority equally and ratably therewith.

(e) **Financial Records**: it shall maintain adequate financial records and prepare all financial statements in accordance with generally accepted accounting principles and practices in the Philippines consistently applied, and in compliance with the regulations of the government body having jurisdiction over it, and, subject to receipt of a written request within a reasonable period before the proposed date of inspection, permit the Bondholders or their duly designated representatives, to inspect the books of accounts and records pertinent to the compliance by the Bank of its obligations under the Bonds;

(f) **Compliance with Laws**: it shall comply with all the requirements, terms, covenants, conditions, and provisions of all laws, rules, regulations, orders, writs, judgments, indentures, mortgages, deeds of trust, agreements, and other instruments, arrangements, obligations, and duties to which it, its business, or its assets are legally bound, where non-compliance would have a Material Adverse Effect;

(g) **Compliance with BSP Directives**: it shall fully and promptly comply with all BSP directives, orders, issuances, findings, and letters, including those regarding its capital, licenses, risk management, and operations and promptly and satisfactorily take all corrective measures that may be required under BSP audit reports;

(h) **Use of Proceeds**: it shall use the net proceeds from the Bonds in accordance with the purpose of issuance provided in the Offering Circular;

(i) **Obligations**: it shall pay all indebtedness and other liabilities, and perform all contractual obligations pursuant to all agreements to which it is a party, or by which it or any of its properties may be bound, except those being contested in good faith and by proper proceedings;

(j) **Notice of Proceedings**: it shall give to the Bondholders, through the Trustee, written notice of (i) all assessments, litigation, or administrative or arbitration proceedings before any court, tribunal, arbitrator, or governmental or municipal authority affecting the Bank or any of its assets regarding any claim which (x) is in excess of P500,000,000.00 or (y) which might have a Material Adverse Effect; and (ii) of any other matter or condition affecting the Bank which may have a Material Adverse Effect, immediately upon becoming aware that the same has occurred, is pending or has been commenced;

(k) **Contracts**: it shall ensure that any documents related to the Bonds will, at all times, comply in all material respects with the applicable laws, rules, regulations, and circulars, and, if necessary, make the appropriate revisions, supplements, and amendments to make them comply with such laws, rules, regulations, and circulars;

(l) **Other Information**: it shall, upon prior written request of a Bondholder, execute and deliver to such Bondholder the reports, documents, and other information respecting the business, properties, condition, or operations, financial or otherwise, of the Bank as a Bondholder may from time to time reasonably require;

(m) **Default**: it shall, as soon as possible, and in any event within three (3) days after the occurrence of any default on any of the obligations of the Bank, or other event which, with the giving of any notice and/or with the lapse of time, would constitute a default under any agreement of the Bank with any party, including, without limitation, the Contracts, serve a written notice to the Bondholders, through the Trustee, of the occurrence of any such default, specifying the details and the steps which the Bank is taking or proposes to take for the purpose of curing such default, including the Bank's estimate of the length of time to correct the same;

(n) **Compliance with Reporting Obligations**: it will duly and punctually comply with all disclosure reporting, filing, and similar requirements imposed by the BSP, the SEC, PDEx, and the PSE, or in accordance with any applicable Philippine law and regulations from time to time relating to the Bonds and the Contracts;

(o) **Information and Warranties**: it will immediately notify the Bondholders, and the Registrar and Paying Agent, if anything occurs which renders or may render untrue or incorrect, in any material respect, any of the representations or warranties in Condition 9 of these General Terms and Conditions, or the Bank otherwise breaches, or is alleged to breach any of its undertakings;

(p) **Agents**: it shall ensure that there shall at all times be a Registrar and Paying Agent for the purposes of the Bonds, as provided in the Registry and Paying Agency Agreement;

(q) **Request for Information**: it shall, when so requested in writing, provide any and all information reasonably needed by the PDEx, Trading Participant, the Paying Agent and/or Registrar, as the case may be, to enable them to comply with their respective responsibilities and duties under the Governing Regulations and the Contracts; *provided*, that, in the event that the Bank cannot, for any reason, provide the required information, the Bank shall immediately advise the party requesting, and shall perform such acts as may be necessary to provide for alternative information gathering;

(r) **Listing**: it shall ensure that the Bonds are listed (or enrolled as the case may be) with PDEx unless applicable laws no longer require listing or enrollment of such Bonds with an exchange, and delisting is approved by the Bondholders through a meeting duly called for such purpose, in accordance with these General Terms and Conditions;

(s) **Government Agency Orders**: it shall promptly advise the Bondholders, through the Trustee of: (i) any request by any government agency for any information related to the Bonds; or (ii) the issuance by any governmental agency of any cease-and-desist order suspending the distribution or sale of the Bonds or the initiation of any proceedings for any such purpose and shall use its best efforts to obtain at its sole expense the withdrawal of any order suspending the transactions with respect to the Bonds at the earliest time possible;

(t) **Sanctions**: neither the Bank, nor any of its Subsidiaries or joint ventures, nor any of their respective directors, officers or employees nor, to the knowledge of the Bank, any persons acting on any of their behalf:

(i) is a Restricted Party; or

(ii) has received notice of, or is aware of, any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority.

The Bank shall not, and shall not permit or authorize any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of any transaction(s) contemplated by these General Terms and Conditions to fund any trade, business or other activities: (i) involving or for the benefit of any Restricted Party; or (ii) in any other manner that would reasonably be expected to result in the Bank or the relevant Lead Arranger/s and Bookrunner/s or any Selling Agent being in breach of any Sanctions (if and to the extent applicable to either of them) or becoming a Restricted Party; and

(u) **Further Assurance**: the Bank shall execute and deliver such documents and perform such further acts as a relevant party may reasonably require in relation to the Governing Regulations or any of the Contracts.

These covenants of the Bank shall survive the issuance of the Bonds, and shall be complied with and performed fully and faithfully by the Bank at all times while the Bonds or any portion thereof remains outstanding.

11. Events of Default

A Bondholder shall have the right to declare the Bank in default, insofar as the Bonds registered under such Bondholder's name is concerned, in accordance with Condition 12, in case any of the following events shall occur and be continuing:

(a) The Bank fails to pay any principal and/or interest (as applicable) due on the Bonds; provided, that such non-payment shall not constitute an Event of Default if the Bank has confirmed the Payment Instruction Report (as defined in the Registry and Paying Agency Agreement) prepared by the Registrar and Paying Agent and there are sufficient funds standing in the Payment Account (as defined in the Registry and Paying Agency Agreement) on a relevant payment date;

(b) Unless otherwise redeemed by the Bank under Condition 5(b)(ii), it becomes unlawful for the Bank to perform or comply with any one or more of its obligations under the Bonds;

(c) The Bank fails to perform or violates its covenants (other than Condition 11(a)) under these General Terms and Conditions, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of fifteen (15) calendar days from receipt of written notice by the Bank of such failure or violation;

(d) Any of the Bank's representations and warranties under Condition 9 or any certificate or opinion submitted by it in connection with the issuance of the Bonds is untrue, incorrect, or misleading in any material respect;

(e) Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty in excess of P500,000,000.00 or its equivalent in any other currency is entered against the Bank and the enforcement of which is not stayed, or is not paid, discharged, or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement;

(f) (i) Any Indebtedness of the Bank with respect to borrowed money becomes due and repayable prematurely by reason of an Event of Default; (ii) any Indebtedness of the Bank with respect to borrowed money is not paid when due; (iii) any security given by the Bank for any Indebtedness of the Bank for borrowed money becomes enforceable; (iv) default is made by the Bank in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of the Bank for borrowed money of any other person; or (v) any Indebtedness of the Bank with respect to borrowed money becomes (or is capable of becoming) fully due and repayable prematurely by reason of a default under the document relating to such indebtedness; *provided*, that in any of the foregoing cases, the aggregate amount of Indebtedness exceeds P500,000,000.00, or its equivalent in any other currency;

(g) Any judgment, writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Bank's assets and such judgment, writ, warrant, or similar process shall not be released, vacated, or fully bonded within thirty (30) calendar days after its issue or levy;

(h) The government or any competent authority takes any action to suspend the whole or the substantial portion of the operations of the Bank, or condemns, seizes, or expropriates all or substantially all of the properties of the Bank;

(i) The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of fifteen (15) calendar days, except in the case of strikes or lockouts, or when due to fortuitous events or *force majeure*, or when there is no Material Adverse Effect on the business operations or financial condition of the Bank;

(j) The Bank becomes insolvent or is unable to pay its debts when due, or commits or permits any act of bankruptcy, including (i) filing, in accordance with applicable laws and regulations, of a voluntary or involuntary petition by or against the Bank, as the case may be in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) the appointment of a trustee or receiver or similar officer over all or a substantial portion of its assets, and such appointment is not lifted, discharged, or dismissed within thirty (30) calendar days from the Bank's receipt of notice of such appointment; (iii) the making of an assignment for the benefit of its creditors over all or substantially all of its assets; (iv) admission in writing of its inability to pay its debts; or (v) entry of any final and executory order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up or liquidation, of the Bank or a substantial portion of its assets; or

(k) Any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to above.

12. Effects of Default Events

(a) Declaration of Default

The Trustee shall, within thirty (30) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as defined under the Events of Default in these General Terms and Conditions, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days (at the expense of the Bank), further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

If any one or more of the Events of Default shall have occurred and be continuing after any applicable curing period shall have lapsed, the Trustee, upon the written direction of the Majority Bondholders whose written instruction/consent/letter shall be verified by the Registrar and by written notice to the Bank, may declare the Bank in default in respect of the Bonds held by such Bondholders, stating the Event of Default relied upon, and require the principal amount of the Bonds held by such Bondholders, and all accrued interests (including any default interest) and other charges due thereon, to be immediately due and payable, and forthwith collect said outstanding principal, accrued interests (including any default interest) and other charges, without prejudice to any other remedies which such Bondholder or the other holders of the Bonds may be entitled.

(b) Default Interest

In case any amount payable by the Bank under the Bonds, whether for principal, interest, and/or fees due to Trustee or Registrar and Paying Agent or otherwise, is not paid on due date, the Bank shall pay default interest at the rate of twelve percent (12%) per annum thereon, which shall accrue from the date the amounts fall due until the same is fully paid.

(c) Application of Payments

Subject to the Registry and Paying Agency Agreement and the Trust Agreement, any money delivered to the Paying Agent upon the occurrence of an Event of Default under Condition 11 shall be applied by the Paying Agent in the order of preference as follows: *first,* to the *pro rata* payment to the Registrar and Paying Agent, the Trustee, Selling Agents, and PDEx and the Trading Participant, of the costs, expenses, fees, and other charges of collection, including reasonable compensation to each of them, their agents, attorneys, and all reasonable expenses and liabilities incurred or disbursements made by them, without gross negligence, or bad faith; *second*, to the payment of all outstanding interest owing to such Bondholder, including any default interest, in the order of maturity of such interest; *third*, to the payment of the whole amount then due and unpaid on the Bonds for principal and interest; *and fourth,* the remainder, if any shall be paid to the Bank, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

13. Remedies; Waiver; Ability to File Suit; Limitations

(a) All remedies conferred by these General Terms and Conditions to the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce such direct rights under these General Terms and Conditions.

(b) No delay or omission by the Bondholders, or any one of them, to exercise any right or power arising from or on account of any Event of Default hereunder, shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence thereto; and every power and remedy given by these General Terms and Conditions to the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

(c) No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Bank hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds;

(ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter’s name;

(iii) the Trustee for 60 days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and

(iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatsoever, by virtue of or by availing of any provision of the Trust Agreement, to affect, disturb, or prejudice the rights of the holders of any other such Bonds, or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

(d) The Majority Bondholders may direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of all Bondholders, waive any past default, except the events of default defined as a payment default, Insolvency Default, or closure default, and its consequences. In case of any such waiver, the Bank, the Trustee, and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

(e) Notwithstanding any other provisions in these General Terms and Conditions, in no instance shall any of the parties be liable for special, indirect, consequential, nominal, exemplary, or punitive damages (including, without limitation, any loss of profits, business or anticipated savings).

14. Replacement Registry Confirmations

In case any Registry Confirmation shall be mutilated, destroyed, lost, or stolen, the Registrar, upon receipt of a written request in the form specified by the Registrar, shall cause the reprinting and delivery to the Bondholders of the Registry Confirmation, subject to applicable fees.

15. Change of Trustee by the Bondholders

(a) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Bank, of the required evidence under the provisions of Clause 18 on Evidence Supporting the Action of the Bondholders.

(b) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any provisions of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Agreement; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided however that, until such successor trustee is qualified and appointed, the resigning Trustee or the trustee to be removed shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor trustee promptly upon the appointment thereof by the Bank; provided finally that, such successor trustee possesses all the qualifications as required by pertinent laws.

16. Reports of the Bondholders

(a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date of the relevant Series or Tranche of Bonds until full payment of the Bonds primarily through electronic mail (unless hand delivery is otherwise chosen by the Bondholder who will then have to bear the printing and delivery costs) a brief report dated as of December 31 of the immediately preceding year with respect to:

(i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

(ii) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Bondholders primarily through electronic mail (unless hand delivery is otherwise chosen by the Bondholder who will then have to bear the printing and delivery costs) a brief report within ninety (90) days from the making of any advance, the reimbursement of which it claims or may claim as a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

(i) Trust Agreement;

(ii) Issue Management and Placement Agreement;

(iii) Registry and Paying Agency Agreement;

(iv) Articles of Incorporation and By-Laws of the Bank, as amended;

(v) Copies of the Bank's most recent audited financial statements; and

(vi) A copy of the Offering Circular together with any supplement to the Offering Circular.

17. Meetings of the Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Bank and to each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Bank within ten (10) days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Bank, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Bank or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) Procedure for Meetings

(i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Bank or by the Bondholders, in which case the Bank or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(ii) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (P10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Bank and its legal counsel.

(f) Voting Requirement

Except as provided in Condition 19 (*Amendments*), all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Agreement. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Bank as if the votes were unanimous.

(g) Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

18. Evidence Supporting the Actions of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

19. Amendments

The Bank and the Trustee may amend these General Terms and Conditions with notice to every Bondholder following the written consent of the Majority Bondholders or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

(a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on the Bonds;

(c) reduce the principal of or extend the Maturity Date;

(d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;

(e) reduce the amount payable upon the redemption or repurchase of the Bonds under these General Terms and Conditions or change the time at which the Bonds may be redeemed;

(f) make the Bonds payable in money other than that stated in the Bonds;

(g) subordinate the Bonds to any other obligation of the Bank;

(h) amend or modify the Payment, Taxation, the Events of Default of these General Terms and Conditions or the Waiver of Default by the Bondholders; or

(i) make any change or waiver of any of the foregoing Condition.

Moreover, the Bank and the Trustee may amend or waive any provisions of the Contracts if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified after such amendment or waiver.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Bank shall send a notice briefly describing such amendment to the Bondholders.

Any amendment of these General Terms and Conditions is subject to the Governing Regulations.

20. Notices

All notices, instructions, and requests to the Registrar and Paying Agent or the Trustee or any other person named herein shall be in writing and shall be sent by personal delivery, courier, or registered mail with postage prepaid, confirmed facsimile to the addressees at its address, facsimile number, and secured electronic email address, and for the attention of the specified representative, as set forth below:

(a) To the Bank and Selling Agent

RIZAL COMMERCIAL BANKING CORPORATION
8/F Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue, Makati City, Makati City

Attention: Francisco G. Singian, Jr.
First Vice President
Tel. No.: 8894 9022
E-mail: fgsingian@rcbc.com

Attention: Jose Maria P. Borromeo
Senior Vice President
Tel. No.: 8894 9473
E-mail: jpborromeo@rcbc.com

(b) To the Registrar and Paying Agent

PHILIPPINE DEPOSITORY & TRUST CORP.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

Attention: Josephine "Baby" F. Dela Cruz
Director
Tel. No: 8884 5025
Fax No: 8757 6025
E-mail: baby_delacruz@pds.com.ph

Attention:	Patricia Camille R. Garcia Registry Officer
Tel. No.:	8884 4413
Email:	peachy.garcia@pds.com.ph

(d) To the Bondholders

All notices to the Bondholders shall be in writing and shall be sent by mail with postage prepaid to the name and last recorded address of the Bondholders as appearing in the Registry or by publication, at the Bank's expense, for two (2) consecutive days in two (2) newspapers of general circulation in Metro Manila in accordance with SEC Memorandum Circular No. 1 (2008).

(e) To the Joint Arrangers

STANDARD CHARTERED BANK
20/F, Ayala Triangle Gardens Tower
Paseo de Roxas cor. Makati Avenue, Makati City
Metro Manila, Philippines

Attention:	Michelangelo K. Samson Chief Executive Officer, Philippines
Tel. No.:	(63) 2 8539 9411
Email:	Mike.Samson@sc.com; CMPhilippines@sc.com

RCBC CAPITAL CORPORATION
21/F Tower 2
RCBC Plaza, 6819 Ayala Avenue
Makati City

Attention:	Arsenio Kenneth M. Ona President and CEO
Tel. No.:	8845-3441
Email:	akmona@rcbc.com

(f) To the Trustee

DEVELOPMENT BANK OF THE PHILIPPINES - TRUST BANKING GROUP
3/F DBP Building
Sen Gil J. Puyat Avenue, Makati City

Attention:	Camilo G. Sanchez
Tel. No.:	8818 9511 local 3400
Email:	cgsanchez@dbp.ph

(g) Effect of Notice

All notices, instructions, statements, and requests, where applicable, shall: (i) if delivered personally to the address as provided in this Condition 20(g), be deemed given upon delivery; (ii) if delivered by a courier, be deemed given upon delivery; (iii) if delivered by facsimile transmission to the facsimile number as provided in this section, be deemed given upon receipt in readable form and a full transmission report has been received by the sender; (iv) if delivered by registered mail in the manner described above to the address as provided in this Condition 20, be deemed given upon receipt, and in case of email if received in readable form (in each case regardless of whether such notice, request or other communication is received by any other person on behalf of such individual to whom a copy of such notice, request, or other communication is to be delivered pursuant to this Condition). The parties shall maintain any electronic data, message, communication, or mail received pursuant to the Electronic Commerce Act (Republic Act No. 8792) and these General Terms and Conditions. The Parties may from time to time change its address, facsimile number, or other information for the purpose of notices hereunder by giving notice specifying such change to the other parties pursuant to the notice procedure under this Condition 20(g).

Any notice, report, or communication received on a non-working day or after business hours in the place of receipt will only be deemed given on the next working day in that place.

(h) Recording

For security and quality of service purposes, all telephone and other communications between the parties and the Bondholders may be recorded in any manner, and to the production of such recordings as evidence in any proceedings brought in connection with the Bonds.

(i) Regulatory Notices / Complaint Desk

For any concerns you may contact the Bank at (02) 8877-RCBC (8877-7222) or customercontact@rcbc.com. RCBC is a universal bank regulated and supervised by the Bangko Sentral ng Pilipinas with telephone number (02) 8708-7087 and email address consumeraffairs@bsp.gov.ph.

21. Waiver of Preference or Priority

In the event that a primary obligation for payment shall arise out of the Contracts, such as to constitute any of the Contracts as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under such Contract/s shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Bank. Accordingly, whatever priorities or preferences that such Contract/s may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

22. Venue

In the event of any legal action arising from, or by reason of, the interpretation and enforcement of the provisions of these General Terms and Conditions, (a) the proper venue for such court action shall exclusively be any competent court of Makati City, Philippines, and (b) the party adjudged by the court to be liable shall be obliged to pay the costs of litigation, as well as reasonable attorney's fees.

24. Prescription

Any action upon the Bonds shall prescribe within ten (10) years from the time the right of action accrues.

25. Severability

If any provision hereunder becomes invalid, illegal, or unenforceable under any law, the validity, legality, and enforceability of the remaining provisions of these General Terms and Conditions shall not be affected or impaired. The Bank shall exert reasonable efforts to replace any invalid provision with a valid provision which most closely approximates the intent and economic effect of the illegal, invalid, or unenforceable provision.

26. Governing Law

These General Terms and Conditions shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

[Nothing follows]

CAPITALIZATION AND INDEBTEDNESS OF THE BANK

The following table sets out the audited consolidated capitalization and indebtedness of the Bank as of 31 December 2024. This table should be read in conjunction with the Bank's audited financial statements included elsewhere herein (see "Index to Financial Statements" below).

(₱ million)	**As of 31 December 2024** *(actual)*
Indebtedness	
Short-term liabilities	
Deposit liabilities	239,203
Interbank loans, bills payable and other liabilities	132,191
Total short-term liabilities	**371,394**
Long-term liabilities	
Deposit liabilities	783,591
Bills payable and other liabilities	19,742
Bonds payable	26,935
Subordinated debt	-
Total long-term liabilities	**830,268**
Capital funds	
Issued share capital(1)	24,198
Hybrid perpetual securities	14,463
Capital paid in excess of par value	58,228
Retained earnings	
Appropriated	5,564
Unappropriated	61,916
Other equity adjustments	(5,884)
Minority interest	6
Total capital funds	**158,491**
Total capitalization and indebtedness(1)	**1,360,153**

Notes:

(1) As of 31 December 2024, 2,419,536,359 shares of common stock were issued and outstanding at ₱10 par value and 266,194 shares of preferred stock were issued and outstanding at ₱10 par value.

(2) As of 31 December 2024, the Bank had total outstanding contingent liabilities of ₱127,771 million, which includes derivatives, outstanding guarantees, foreign exchange bought, foreign exchange sold, inward bills for collection and others.

(3) Save as disclosed in this Offering Circular, there has been no material change in the capitalization, indebtedness or contingent liabilities (including guarantees) of the Bank since 31 December 2024.

DESCRIPTION OF THE BANK

Introduction

The Bank is a prominent universal bank in the Philippines which provides a wide range of banking and financial products and services, including commercial and retail banking, credit cards, asset management and treasury and investment banking products and services. As of 31 December 2024, the Bank was the fifth largest private domestic commercial bank in the Philippines in terms of total assets, based on the published statements of financial position. In terms of branches, the Bank ranked seventh in the Philippines, with a country-wide total of 465 branches as of 31 December 2024, which includes 12 branch lite offices.

As of 31 December 2024, the Bank's consolidated total resources and equity amounted to ₱1.36 trillion and ₱158.49 billion, respectively. The Bank's consolidated profit before tax and net profit for the year ended 31 December 2024 amounted to ₱12.99 billion and ₱9.52 billion, respectively.

As of 31 December 2024, the Bank had a market capitalization on the PSE of ₱60.125 billion. The Bank's consolidated Tier 1 capital adequacy ratio and total capital adequacy ratio were 15.18% and 16.08%, respectively, as of 31 December 2024.

The Bank offers commercial, corporate and consumer banking products and services throughout the Philippines, as well as treasury, cash management and remittance services. The Bank's medium-term strategy is to grow its loan portfolio specifically its consumer and SMEs loan portfolios.

The Bank's Retail Banking Group (**RBG**) provides a range of banking products and services mainly sold through the Bank's branch network. These include deposit products, cash management solutions, investments including trust products, and bancassurance. Aside from managing the Bank's branches, RBG also manages the Bank's nationwide ATM network.

The Bank's Corporate Banking Group (**CBG**) focuses on leading Philippine and multinational corporations, Filipino-Chinese businesses, and international corporate clients in special economic zones (**SEZs**). Through its current affiliation with the Yuchengco Group of Companies (**YGC**) and Sumitomo Mitsui Banking Corporation (**SMBC**), it has established long-standing relationships with Japanese companies in various SEZs in the country.

The Bank also provides a full range of consumer banking products and services in the Philippines. The Bank's international operations consist of its wholly-owned subsidiaries RCBC International Finance Limited (RCBC IFL) and RCBC Investment Ltd., both in Hong Kong. The Bank's relationship with other banks, exchanges and other international money transfer agencies has strengthened its remittance business used primarily by OFWs. The Bank estimates it had an approximate 5% share of the remittance business in the Philippines as of 31 December 2024, based on remittance volumes published by the BSP.

In 2018, the BSP recognized the Bank as an Outstanding Respondent for the Coordinated Portfolio Investment Survey. In the same year, the Bank received six awards from the Fund Managers Association of the Philippines and the Best Credit Card award at the 2018 International Finance Banking Awards. In the areas of communication and branding, the Bank received six awards at the 2018 International Association of Business Communication Gold Quill Awards and a Gold Anvil award at the 2018 Anvil Awards. In the same year, the Bank ranked first in the most improved level of customer advocacy category of YouGov.com.

The Bank continued to receive key awards from regulators, as well as respectable local and international bodies in 2019, which is a testament of its commitment to service excellence. In the area of corporate banking, the Bank was recognized in 2019 by various international bodies for its leading role in financing some of the major infrastructure in the Philippines. These include the Asset Triple A and Benchmark Awards, and the Asian Banking and Finance Corporate and Investment Banking Awards under the Asset's Asia Infrastructure 2019 'Best Deals by Country" category (which consists of "Transport Deal of the Year", "Renewable Energy Deal of the Year" and "PPP Deal of the Year". The Bank also received recognition from The Asset Asian Awards as the "Best Issuer for Sustainable Finance" and "Best Sustainability Bond" in the Philippines. In the area of communications and branding, RCBC received several awards, which include five Quill Awards from the 2019 International Association of Business Communicator Gold Quill Awards, two awards from the Bank Marketing Association of the Philippines, a Gold Anvil for the brand refresh campaign and a Silver Anvil for the Bank and RCBC Savings Bank's Merger Communication at the 2019 Anvil Awards. In addition, RCBC Bankard Services Corporation (**RCBC Bankard**) received the Best Card Offering-

Philippines recognition during the 5th International Finance Magazine Awards and Silver Anvil for the RCBC Bankard Platinum Launch.

In 2020, RCBC was awarded by The Global Economics as the Philippines' Most Innovative Internet Banking Service Provider. In addition, the Bank was also given the Platinum for Creative Effectiveness and Gold in Digital Marketing by Association of Marketing and Communications Professional. In the same year, the Bank won three awards from Anvil awards, namely Visa Platinum card launch, Merger of RCBC and RCBC Savings Bank and Change Management Communication Playbook. In addition, RCBC won two awards from Global Retail Banking Innovation Summit & Awards, namely Loan Offering of the Year for the Bayanihan Balance Conversion Program and Best CSR Initiative for the COVID-19 Relief Efforts Rewards Donation Program.

RCBC won four awards as Best Bank for Digital in the Philippines in 2021, including that of Asia Money and Alpha South East Asia which RCBC has won for two consecutive years. The Bank was also awarded by Global Banking & Finance as Best Corporate and Best Cash Management Bank in the Philippines, while it was awarded as Best SME Banking Brand by Global Brand and Mid-sized Domestic Retail Bank of the Year – Philippines by Asian Banking and Finance. In addition, the Bank was awarded by CFA Society Philippines as Best Managed Fund – Equity (Peso).

In 2021, RCBC also won Sustainability awards such as Best Sustainability Bond Asset from Publishing and Research Ltd, ESG Gold Award from The Asset and Renewable Energy Deal of the Year – WIND under Vietnam, Best Deals – ASEAN (RCAP & CBG) from The Asset Infrastructure Awards.

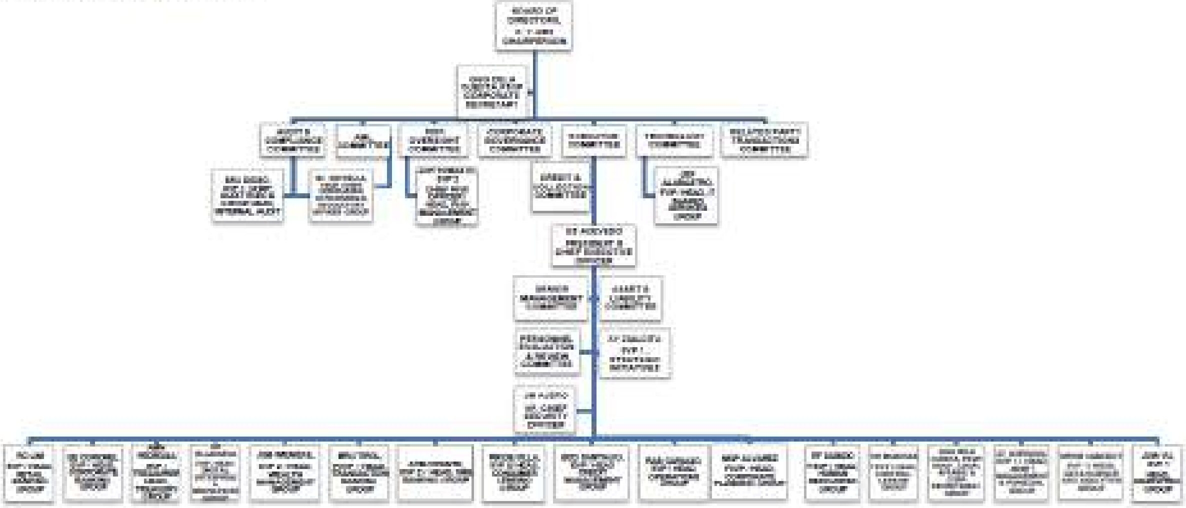
In 2022, RCBC's Corporate Banking Group was recognized by the Global Banking and Finance Awards for being the Best Corporate Bank – Philippines for the second year in a row. RCBC also won the Philippines' Best Bank for Digital by Asiamoney and the Global Retail Banking Innovation Awards by The Digital Banker.

In 2023, RCBC clinched 50 awards, including, inter alia, four awards as Best Digital Bank in the Philippines by Global Business Review Magazine Award, Global Business Magazine, World Economic Magazine and International Business Magazine Awards. The Bank also won three awards for the Best Bank for Financial Inclusion, including by World Economic Magazine. The Bank also received awards for innovation, including the Most Innovative Internet Banking Service Philippines by the Global Business Magazine.

In 2024, RCBC was cited as the Philippines' Best Bank for SMEs and Best Bank for Digital by Euromoney. It also received several awards from Asian Banking and Finance, including, among others, SME Bank of the Year, Consumer Finance Product of the Year, Remittance Company of the Year and Automobile Lending Initiative of the Year. RCBC also won awards for sustainability and corporate social responsibility (CSR) such as Best Bank for Sustainable Development Philippines 2024 from Global Banking and Finance and Best CSR Initiative – Financial Inclusion by Retail Banker Asia Trailblazer Awards 2024.

The structure of the Group is as follows:

ORGANIZATION CHART
As of 31 December 2024



Recent Developments

Effective 1 January 2025, the SME Banking Group and Corporate Banking Group was merged under the Institutional Banking Group.

On 9 December 2024, the Board of Directors approved the following changes in personnel, which took effect on 1 January 2025 subject to BSP and other regulatory approvals required:

1. Executive Vice President Reginaldo Anthony B. Cariaso will be appointed Deputy Chief Executive Officer.
2. Second Senior Vice President Juan Gabriel R. Tomas IV will be appointed Group Head of Operations.
3. Executive Vice President Bennett D. Santiago will be appointed Chief Risk Officer and Head of Risk Management Group.
4. Executive Vice President Elizabeth E. Coronel will be appointed Group Head of Institutional Banking, replacing Second Senior Vice President Anna Christina M. Vicente who will be resigning as the current head of SME Banking Group.
5. First Senior Vice President Simplicio B. Dela Cruz, Jr. will be seconded to Rizal Microbank, Inc. (a thrift bank of RCBC) and appointed President and CEO. Mr. Ismael S. Reyes, currently the President and CEO of Rizal Microbank, will be recalled and will report to the Office of the RCBC President and CEO to be responsible for coordinating the bank's Retail and Microbank transformation efforts.
6. First Senior Vice President Sheila Ricca G. Dioso will be appointed Chief Compliance Officer and Head of Regulatory Affairs Group. First Senior Vice President Brent C. Estrella, currently the Chief Compliance Officer and Head of Regulatory Affairs Group, will report to the Office of the President & CEO to handle Control and Governance transformation initiatives.

On 21 April 2025, the Bank announced the passing of one of its directors, Mr. Gil Buenaventura. Mr. Buenaventura served as a Director and as a member of the Executive Committee of the Bank since July 2016. He was also President and Chief Executive Officer of the Bank until 30 June 2019.

Capital Markets Transactions

On 7 April 2020, the Bank issued ₱7,054,300,000 4.848% bonds due in 2022 under its ₱100 billion bond and commercial paper programme.

On 27 July 2020, the Bank issued ₱16,616,410,000 3.25% bonds due in 2022 under its ₱100 billion bond and commercial paper programme.

On 27 August 2020, the Bank issued additional tier 1 capital of U.S.$300 million.

On 31 March 2021, the Bank issued ₱13,742,840,000 3.20% ASEAN sustainability bonds due in 2023 and ₱4,129,730,000 4.18% ASEAN sustainability bonds due 2026 under its ₱100 billion bond and commercial paper programme.

On 21 February 2022, the Bank issued ₱14,756,260,000 3.00% bonds due 2024 under its ₱100 billion bond and commercial paper programme.

On 17 January 2024, the Bank issued U.S.$400 million 5.50% unsecured sustainability bonds due in 2029 under its U.S.$3,000,000,000 Medium Term Note Programme.

On 21 January 2025, the Bank issued U.S.$350 million 5.38% unsecured sustainability bonds due in 2030 under its U.S.$3,000,000,000 Medium Term Note Programme.

History

The Bank, incorporated under the name Rizal Development Bank, began operations as a private development bank in the province of Rizal in 1960. In 1962, the Bank received approval from the BSP to operate as a commercial bank and, on 2 January 1963, the Bank began operations under its present name. In 1973, the Bank formed alliances with two foreign banks, Continental Illinois National Bank & Trust Co. (CONNILL) and United Financial of Japan (UFJ) (then known as Sanwa Bank and later, following its merger in 2004 with Mitsubishi Tokyo Financial Group, known as The Bank of Tokyo Mitsubishi UFJ Limited). The relationship with CONNILL ended in 1985 after CONNILL sold its shareholding in the Bank to UFJ. In December 2006, UFJ disposed of its entire shareholdings in the Bank to the

Spinnaker Group, which has been disposed of. These shares were bought back by the Bank to allow the Bank to issue shares to potential strategic investors with a business strategy in line with the Bank's business direction.

The Bank obtained its commercial banking license in 1963 and its universal banking license in 1989 and has been listed on the PSE since 1986.

The Bank acquired Merchants Bank in mid-2008 in order to expand the Bank's branch network. Importantly, the acquisition also allowed the Bank to take over Merchant Bank's thrift banking license which allowed the Bank to commence microfinance deposit taking operations in Mindanao. On 13 February 2009, to further bolster its entry into the microfinance business in the Philippines, the Bank acquired JP Laurel Rural Bank in Batangas.

As of 31 December 2024, the Yuchengco family, primarily through PMMIC, owned approximately 33.92% of the Bank's issued and outstanding shares while other members of the YGC owned an additional 9.38% of the Bank's issued and outstanding shares.

On 9 March 2011, the Bank and the International Finance Corporation (**IFC**) reached an agreement whereby IFC acquired an approximately 7.2% stake in the Bank's common shares, as measured on a post-funding basis, for a total consideration of over ₱2.1 billion. The additional capital raised supported growth in the Bank's loan book, which in addition to large corporates, targets growth in SMEs, microfinance and consumer finance segments. The incremental capital raised was used to support the acquisition of small and/or medium-sized banks in the Philippines.

On 12 May 2011, the Board of Directors of the Bank approved the proposed acquisition by CVC Capital Partners (**CVC**) of approximately 15% stake in the Bank's share capital through a subscription of new shares and the purchase of existing shares from certain shareholders for a total consideration of approximately ₱5.0 billion. The said transaction was approved by the stakeholders of the Bank on 27 July 2011 and finalized on 23 September 2011. The investment by CVC was undertaken by Hexagon Investment B.V. (**Hexagon**), a special purpose vehicle ultimately controlled by CVC. The terms of the investment entitled Hexagon to two seats out of 15 on the Bank's board of directors.

On 28 March 2012, RCBC completed the purchase of 448,528,296 common shares or approximately 97.8% of the outstanding capital stock in First Malayan Leasing and Finance Corporation (now known as RCBC Leasing and Finance Corporation (**RCBC LFC**)) from PMMIC, House of Investments, Inc. ("**HI**") and certain other sellers for ₱1.53 per share or a total consideration of ₱686.2 million. Approval from the BSP was granted on 16 March 2012. The transaction included an equity infusion of ₱163.2 million into RCBC LFC to bolster its capital base. The Bank believes that the acquisition allowed it to be more aggressive in providing finance leases and operating leases to its clients.

On 20 April 2015, Cathay Life Insurance Co., Ltd. (**Cathay**) completed its acquisition of a 20% share block in the Bank. Cathay subscribed to 124,242,272 primary common shares and acquired 118,935,590 secondary shares from Hexagon, and 36,724,138 secondary shares from IFC, in each case, at the price of ₱64.00 per share. The Bank has a shareholders agreement with PMMIC and Cathay Life.

On 24 September 2018, the Board of Directors approved the merger of RCBC Savings Bank, Inc. (RSB) into the Bank. The merger became effective on 22 July 2019.

On 28 June 2021, the Bank sold 101,850,000 shares to Sumitomo Mitsui Banking Corporation (SMBC) at ₱44.00 per share. This came from treasury shares resulting from the merger of Parent Company and RCBC Savings Bank, Inc.

On 2 November 2022, the Bank's Board of Directors approved the increase in shareholding of SMBC, an existing shareholder of the Bank, to 20% through the combined sale of subscription of an aggregate of 382 common stock to SMBC, partly coming from the reissuance of treasury shares and issuance of new common stock, at the price of ₱71 per share.

On 31 July 2023, the Bank completed the sale of 213,437,248 common shares held as treasury shares in the Bank (the Treasury Shares) and the issuance of 168,619,976 authorized and unissued common shares of the Bank (the Subscription Shares, and, together with the Treasury Shares, the Sale Shares) to SMBC at a price per Sale Share of ₱71. After the purchase of the Treasury Shares and the issuance of the Subscription Shares from the Bank, SMBC owns, in aggregate, 20.0 % of the total outstanding common stock of the Bank. An application to list the Subscription Shares on the Philippine Stock Exchange was filed on 27 September 2023.

The strategic investment by SMBC, which raises ₱27 billion of new Core Equity Tier 1 capital for the Bank, is part of the Bank's capital raising plan to support long-term asset growth and digital investments. The proceeds from the investment allow the Bank to finance the different requirements of key customers in the Corporate, SME and consumer segments and expand the reach of its Sustainable Finance Framework.

With the endorsement of the Bank's Trust Committee, on 28 November 2022, the Bank's Board of Directors approved the spin-off of the trust operations from the Bank into a separate corporate entity by establishing a standalone trust corporation in accordance with the Manual of Regulations for Non-Bank Financing Institutions. The Bank's Board of Directors approved its capital infusion equivalent to 40% of the required capital under the capital build-up plan.

On 27 March 2023, the Bank's Board of Directors approved the incorporation of RTC. RTC was officially incorporated on 29 June 2023, while its application of Trust License from BSP – Stage 3 was approved on 10 October 2023. RTC started operations on 2 January 2024.

On 29 April 2024, RCBC Telemoney Europe S.P.A (RCBC Telemoney Europe) received the final regulatory approval for its liquidation. Following such approval, RCBC Telemoney Europe's balances were deconsolidated from the Group.

Competitive Strengths

The Bank considers the following to be its principal competitive strengths:

Sustainable size with an established operating history

The Bank is a prominent universal bank in the Philippines with extensive experience in the financial services sector extending over 60 years. The Bank offers a diversified range of banking and other financial products and services, including commercial and retail banking, credit cards, asset management and treasury and investment banking products and services. This range of products and services provides the Bank with an extensive asset base.

Leading positions in key products

Based on the Bank's in-house market survey as of 31 December 2024, the Bank is a market leader in key business segments, including investment banking, treasury operations and foreign exchange, and trade finance and international banking. The spin-off of RCBC Trust and Investments Group (RCBC TIG) to a standalone trust corporation, RTC, allows for RTC to increase its assets under management (AUM) by offering more investment options, which other trust entities may not be able to do due to regulatory restrictions. In addition, the Bank is an established and well-recognized provider of banking services to Filipino-Chinese businesses, foreign investors in the export processing zone areas, as well as Japanese multinationals. The Bank has implemented a number of initiatives in the SME and consumer segment and has been actively expanding its presence in the microfinance sector.

Strong group synergies and support

As part of the YGC, the Bank is able to leverage a group-wide sales force to assist it in offering a wide range of products and services provided by other members of YGC, making it a "one-stop" financial centre for its customers. At the Bank's branches, customers may be referred to other YGC companies where insurance products and other services are being offered.

Proven and experienced management team

The Bank has an experienced management team with a proven track record for successfully executing business plans and achieving results. On 24 June 2019, the Bank appointed Mr. Eugene Acevedo as President and Chief Executive Officer, effective 1 July 2019. Prior to being appointed as President and Chief Executive Officer, Mr. Acevedo served as Deputy Chief Executive Officer of the Bank. He also held senior leadership positions in several financial institutions, with the latest being the chairman of CitySavings Bank, Inc., the thrift lending arm of Union Bank of the Philippines, Inc. He also held senior leadership positions in Citibank. He was also the president and Chief Executive Officer of the Philippine National Bank from 2010 to 2011.

Extensive and strategically located banking infrastructure and network

The Bank has an extensive and strategically located branch network throughout the Philippines. As of 31 December 2024, the Bank, inclusive of Rizal Microbank (RMB), had the sixth largest branch network in the Philippines (excluding Government-owned and foreign banks), with a nationwide network of 465 branches, which includes 12 branch lite offices nationwide, supplemented by 9,429 ATMs (including ATM Go terminals). In addition, through the Bank's various remittance services, the Bank had an approximate 5% market share in OFW remittances as of 31 December 2024. These remittance services include, inter alia, RCBC TeleCredit, which allows OFWs to have their remittances credited directly to accounts with the Bank and other local banks, and RCBC TeleDoor2Door, which allows cash to be delivered via courier directly to the beneficiary's given address. In addition, the Bank has tie-ups in the Asia Pacific region in countries such as Hong Kong, Japan, Malaysia, Brunei, Singapore and Australia as well as in the European region, specifically in Greece.

Use of technology as a differentiator

The Bank uses investments in technology to continually improve service to its clients. In 2009, the Bank acquired the Finacle Core Banking Solution from Infosys to transform its IT landscape from the traditional mainframe legacy system to a more agile and open platform. The new core banking system covers, among others, deposits, loans, customer relationship management, trade finance, payments and fund transfers, and cheque processing. The new platform went live in May 2012. The Bank has also developed technologically innovative products such as the MyWallet Card electronic stored value card in 2017 (which gives customers a convenient and safe way to shop, check their accounts and perform many other transactions domestically and internationally in a single ATM-sized card). The Bank expanded the channels of distribution of the MyWallet Card through tie-ups with Mercury Drug, LBC Express Inc., Super 8 Grocery Warehouse and 7-Eleven. In addition, the Bank implemented digital channels, including online banking (retail and corporate) and a banking chatbot, to increase its reach to customers and promote cross-selling opportunities. In 2023, RCBC launched the new RCBC Pulz app, designed to power up users' growing demand through its unique features, speed and efficiency. As of 31 December 2024, there are 1.2 million accounts on RCBC Pulz, generating a 48% increase in transaction volume and 46% in transaction value. In November 2023, RCBC also launched RCBC Boz, which is an all-in app for small business owners, allowing them to prepare e-invoices, manage payroll, organize transactions, set budgets and financial goals, and conduct fund management.

The Bank has implemented digital capabilities backed up by data science into its business.

RCBC's Digital Enterprise and Innovations Group continues to build on the digitalization groundwork laid by its predecessor, streamlining programs and making them more collaborative, encouraging cooperative competition among its members and other industry players, while aligning the Bank's goals with that of the BSP. All of these efforts are directed to deliver the Group's goal of customer-centric, personalized and inclusive digital finance products and services. Since its inception, the Bank's Digital Enterprise and Innovations Group has been continuing to accelerate the Bank's digital transformation.

In July 2020, as part of its commitment to further promote financial education and digital literacy, the Bank launched DiskarTech, its Taglish and Cebuano digital bank and financial inclusion app. This pioneering initiative is the Philippines' first Taglish inclusion mobile app. DiskarTech is a secure and hassle-free digital bank account for every Filipino, with all the basic financial services Filipinos need, such as savings, transfers, withdrawals and deposits, bills payment, insurance and telemedicine at competitive prices. Aside from these financial features, DiskarTech also introduced microloans among other innovative services. As of 31 December 2024, DiskarTech has approximately 1.5 million users with more than 45,000 new users in 2024.

In December 2021, RCBC expanded the features of its online banking platform to allow clients to manage their investment management account online. This makes RCBC the first bank in the Philippines to offer a complete end-to-end digital Unit Investment Trust Funds (UITF) experience from enrolment to redemption within its main online platform.

RCBC Digital, the Bank's premier mobile banking app for the mass affluent, allows the Bank's credit card holders to convert any recent transaction into instalment terms of 3 to 36 months, and also to use their credit card to pay bills on-demand, while offering other services such as person-to-merchant payments using the Philippines' National QR code standard, in-app UITF placement, mobile check deposits and the Philippines' first digital concierge, among others.

Both DiskarTech and RCBC Digital allow customers who pay bills to enroll in auto-charge

Additionally, ATM Go is the first and only mobile Automated Teller Machines (ATMs) enabled by a POS terminal. The Bank designed ATM Go to be the accessible neighborhood ATM which allows the Bank to service customer needs in far flung areas where a full branch cannot be present. ATM Go provides customers with the functionalities of an ATM (account inquiry, bill payments, fund transfers, cash in and cash out) and enables customers to do their banking transactions outside the regular business centers and ATMs, conveniently through the Bank's partner merchants right within their very own communities. As of 31 December 2024, the Bank has a total of 7,947 ATM Go terminals.

In August 2023, the Bank launched the newest mobile banking app for retail clients, RCBC Pulz. The app's digital features are supported by an artificial intelligence-based cross-selling and upselling process that prioritizes customer lifecycle value. One of its features is its strong focus on security, utilizing advanced technology and multiple security checks for safe financial transactions. RCBC Pulz also allows customers to open an account anytime and anywhere, without a minimum balance requirement. Customers can perform various banking tasks, such as depositing or withdrawing money using QR codes, depositing local checks just by taking a photo, and directly transferring funds locally or abroad, with a digital concierge service.

The Bank is in the process of migrating to its digital platforms and digitizing its core products to make them more accessible to customers, supporting the BSP's twin goals of financial inclusion and digital acceleration.

The Bank also has a dedicated data science team, enabling the Bank to leverage customer data for cross-selling opportunities.

Strategy

The Bank aims to continue to grow its core business lines through the execution abilities of its experienced and revitalized management team, deepening relationships in the current markets that it services and expanding to selected new market segments through new and innovative products and an expanded distribution platform that will service the customers' wide range of needs.

The key elements of the Bank's strategy are as follows:

Increase earnings by growing its fee-based income, increasing profitability from existing customers and increasing volumes of low-cost current accounts and savings accounts with a focus on consumer, SMEs, the middle market and the microfinance sector

The Bank will remain focused on growing its corporate lending, consumer lending, middle market business and microfinance business throughout the Philippines. The Bank aims to increase its fee based income from corporate, consumer and investment banking businesses, trust banking and bancassurance products, and by growing its credit card business. The Bank plans to increase deposit volume by growing the customer base through various initiatives across different segments. The Bank aims to continue to build up its loan portfolio by actively pursuing opportunities based on risk return considerations. The Bank aims to continue pursuing opportunities in growth industries, project finance transactions, refinancing activities as well as loan syndications in the corporate market. It also intends to capitalize on the various alliances forged with several Japanese and Chinese banks by offering products and services to multinational corporate clients while expanding capabilities with the transfer of technologies and best practices. In addition, strong focus will be given to building a strong consumer franchise inclusive of a large consumer credit portfolio. The Bank intends to increase its relationships in the growing middle market and microfinance market and further improve credit and portfolio quality through improved risk management capabilities. The SME market is a focus for the Bank with its attractive margins and potential for cross-sell income such as from cash management and transactional fees. In the microfinance market, the Bank acquired JP Laurel Rural Bank in Batangas and Merchants Bank in Mindanao to pursue micro-lending operations. The Bank intends to continue to seek opportunities to acquire other existing financial institutions with the view to expanding its lending base to cover the lower end of consumer lending in the Philippines.

Further expand the Bank's existing branch network while enhancing the effectiveness of the distribution network through the introduction of more electronic channels and campaign support

The Bank will continue to consider acquisition opportunities, particularly focusing on well-managed midsized banks and thrift banks which may enable the Bank to increase its resource base and expand its branch network and reach in a cost-efficient manner. In addition, the Bank is emphasizing the segregation of functions within branches to allow for greater focus on particular products. In order to coordinate this and to increase its efficiency, the Bank intends to continue developing technologies that will centralize the coordination and selling efforts of its branch network. To improve its distribution network, the Bank has focused on a strategic expansion of ATM Go and other multifunction ATMs with moderate growth in areas where needed. As of 31 December 2024, the Bank has a total of 7,947 ATM Go terminals, with a target to expand this to 10,000 ATM Go terminals by the end of 2025.

This will be supplemented by the development of electronic channels that will serve key needs of clients without going to a branch. In addition, the Bank will focus on improving its delivery channels via internet and mobile banking. The Bank believes that the utilization of more electronic channels will contribute to a reduction of operating costs per customer even as the Bank serves a much larger customer base.

The Bank plans to expand the network of its Mini-POS and Cash Express terminals that will enable its customers to conduct simple banking transactions at partner merchants. The Bank believes that this will provide its customers with flexibility and accessibility, especially those who reside in far-flung areas. The Bank revamped its brand and launched its tagline "Partners Through Generations," as a serious commitment to keeping its relationship with its clients and their families strong and enduring. The Bank believes that, to cater to and anticipate the needs of different generations, it has to continuously innovate and future-proof itself. Hence, it made innovation a key performance metric in many of its business groups.

Increase cross-selling to existing customers and generate more fee-based income

The Bank plans to expand its business with existing customers through active cross-selling of an increasingly broader suite of products and services through the Bank's extensive distribution platform. While the branch network is currently used mainly to provide traditional banking services, the Bank plans to continue to train and develop its employees to enable them to focus on maximizing revenue through the sale of supplementary financial products, provided by both the Bank and YGC.

The Bank has the following strategies to build its fee-based income for the following products / services:

- Retail Banking - Build a client base including prepaid customers (MyWallet) and increase the number of transactions such as payments (i.e. bills) and purchases;

- ATM: Increase the number of ATMs and mini ATM (mobile point of sale / MPOS, cash express) for an ATM to branch ratio and generate more ATM fees;

- SME: Developing relationships with SME clients (usually family-owned) to increase cross selling / collateral business (i.e. cash management, consumer loans, insurance, etc.);

- Asset Management / Investment: Grow the Trust / Unit Investment Trust Funds (UITFs) / Wealth Management business;

- Investment Banking: Build steady stream of deals in pipeline for Debt & Equity Underwriting and Financial Advisory.

Focus on product development

In order to stay ahead of competitors and attract customers within the age group which is most populous in the Philippines, the Bank intends to focus on product development, including enhancing its electronic business solutions to support the customers' requirements by adding more features to the Bank's internet banking platform and ATMs and advancing the Bank's mobile phone banking to further generate fees. In addition, the Bank intends to strengthen its focus on providing a wider range of services to non-resident Filipinos with the introduction of products particularly tailored and branded to satisfy their requirements. These products and services include consumer loans, deposits, investment services, credit and cash cards, bills payment services, online and phone remittance, and money transfer services. The Bank shall continue to expand its presence where there is a high concentration of non-resident Filipinos.

Manage cost and increase operation efficiency

In addition to increasing revenue and cost management, the Bank also intends to seek ways to reduce its operational costs. One key component of the Bank's cost reduction is to continue implementing steps to accelerate the recovery of its NPAs. The Bank intends to continue the active disposition of NPAs in several ways including (a) intensified measures for collection, foreclosure, restructuring and debt for asset swaps, (b) enhancement of the Bank's property information database, (c) improvement of systematic enforcement of ownership control of assets, (d) introducing measures to ensure the cost-effective administration of properties, and (e) clearly defined financial exit strategies for certain groups of assets. As the Bank invests in new technology systems, operations and procedures are expected to be streamlined. The Bank expects such systems to provide support that will increase the capacity of the Bank to process more transactions in less time and with less cost per transaction given the higher volumes.

Attract and retain skilled and experienced personnel and priorities organizational development to optimize the Bank's human capital

The Bank seeks to strengthen its ability to attract and retain skilled and experienced personnel in order to serve clients better. Given the fast-changing environment that the Bank operates in, the Bank is making a conscious effort to continuously focus on management and skills training by conducting and facilitating internal and external training programs and developing technology-based tools to help increase employee efficiency.

Business

The Bank is a universal bank that offers a wide range of commercial, retail and corporate banking products and services. The principal products and services of the Bank and its subsidiaries and associates include traditional loan and deposit products, treasury, investment banking, cash management and credit card services. These businesses are categorized into six operating groups: Retail Banking, Corporate Banking, SME Banking, Treasury Group, Consumer Banking and Global Transaction Banking.

For financial reporting purposes, the Treasury Group includes Trust and Investments up until 31 December 2023, and the "Others" business segment includes the Global Transaction Banking and Consumer Banking.

The following table sets out the consolidated pre-tax and minority interest income of the Bank's divisions and as a percentage of the total net profit before tax and non-controlling interest for the years indicated.

	2022		2023		2024	
(in ₱ millions, except percentages)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Retail Banking..........................	7,865	57.63	11,124	82.31	13,714	105.59
Corporate Banking…………….	14,863	108.90	21,398	158.34	21,209	163.30
SME……………………………	2,745	20.11	3,130	23.16	9,304	71.64
Treasury Group[1]…………….....	4,519	33.11	3,850	28.49	6,114	47.07
Others………………………….	(16,344)	(119.75)	(25,988)	(192.30)	(37,353)	(287.60)
Total profit before tax and non-controlling interest……	13,648	100.00	13,515	100.00	12,988	100.00
Tax Expense (Income)…………	(1,568)	(11.49)	(1,298)	(9.60)	(3,468)	(26.70)
Non-controlling interest in net profit…………………….	-	-	1	0.01	-	-
Net Profit	**12,080**	**88.51**	**12,217**	**90.4**	**9,520**	**73.3**

(1) After the spin-off of RTC in January 2024, Trust and Investments are not included

Retail Banking

The RBG consists of branches offering a wide range of products and services to the Bank's various customers. For the years ended 31 December, 2022, 2023 and 2024, the RBG accounted for 57.63%, 82.31% and 105.59% of the Bank's consolidated income before tax, respectively. As of 31 December 2024, the RBG operated through 437 branches and two branch lite offices.

The Bank continues to broaden its reach in the retail, SME, and corporate markets, as it capitalizes on its strategically located business centers, 9,429 ATMs (including ATM Go terminals) nationwide as of 31 December 2024 and efficient electronic channels.

RBG is at the forefront of this effort. While providing high quality service, its business centers intensified customer penetration with a diverse set of product offerings including traditional deposits, consumer loans, SME business loans, Trust and Treasury investment products, pre-paid cards under the *MyWallet* brand, credit cards under the *Bankard* brand, and Bancassurance protection products such as life and non-life insurance products of Sunlife-Grepa and Malayan Insurance Corporation (**Malayan**), respectively.

Through collective and collaborative efforts among various units of the Bank, RBG continues to enhance and to innovate both product offerings and service delivery. The Bank's Super Value Checking Account bundles the accessibility of a checking account, the convenience of a savings account, and the benefits of a tiered interest-bearing account. Its E-Woman Checking Account provides all these, but has other features focusing on the needs of female clients.

The Bank also recognizes technology as a tool and channel to meet the needs of its customers. The Bank is present on social media such as Twitter and Facebook and continues to improve electronic banking channels through, among others, online banking (retail and corporate) and investment into technology such as RCBC Digital, RCBC Pulz, ATM Go and DiskarTech.

In 2023, CASA deposits grew by ₱36 billion or 14% year-on-year attributable to, inter alia, the launch of Hexagon Club Priority, which offers personalized service, expert and tailored advice, exclusive perks and privileges reserved for high-value customers with at least ₱1 million in average minimum daily balance in CASA deposits, Access Payroll Program which offers seamless employee payroll solutions, and Businesseries, which is a knowledge and networking platform for existing and potential business owners and SME clients to gain valuable insights on financial management and industry trends.

In 2024, the Hexagon Club was recognized as the "Best Banking Product" by the Global Banking and Finance and received the Excellence in Mass Affluent Banking by Retail Banker International in 2024.

Bancassurance

Previous BSP regulations on cross-selling required that banks shall only cross-sell financial products of a regulated entity belonging to the same financial conglomerate. A bank is required to make an investment of at least 5 % in an insurance company to allow it to enter into a bancassurance business and widen its product offering to include life and non-life insurance products. On 1 August 2014, the Monetary Board approved BSP Circular No. 844 outlining the guidelines for the cross-selling of collective investment schemes (CIS) and amendments to certain provisions of the Manual of Regulations for Banks (BSP MORB) as provided under BSP Circular No. 801. Under BSP Circular No. 844, simple insurance products such as traditional life, non-life and other similar protection-type insurance products, except variable insurance contracts, governed by the Insurance Code of the Philippines (the Insurance Code) may be cross-sold inside bank premises regardless of whether the financial product provider belongs to the same financial conglomerate or not. However, the cross-selling of CIS of financial product providers must belong to the same financial conglomerate. These include financial providers such as mutual funds registered by the Philippine SEC, UITFs authorized by the BSP, and variable unit-linked life insurance policies as governed by the Insurance Code or under the relevant rules and regulations as may be issued by the Insurance Commission of the Philippines. On 28 November 2022, the BSP issued Circular No. 1160 which serves as the Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, known as the "Financial Products and Services Consumer Protection Act". The Circular provides that the mandatory cooling-off period prescribed by the Insurance Commission on the insurance products being sold shall apply to bancassurance businesses. It also provided that financial instruments with aggregate investment size of ₱500,000 and securities "traded" or "to be traded", among others, are exempt from the cooling-off period.

Share Swap with MICO Equities, Inc.

On 1 March 2010, the Bank purchased a 5.6% equity interest in MICO Equities, Inc. (MICO), YGC's holding company for its non-life insurance business, through a swap of 41,993,389 common shares of the Bank in exchange for 169,059 shares in MICO. This share swap allowed the Bank to enter into a bancassurance partnership with MICO's subsidiary, Malayan. Under this partnership arrangement, Malayan's insurance products may be sold through the Bank's branch network throughout the Philippines.

Bancassurance partnership with Grepalife

In October 2009, the Bank sold one million shares in Great Life Financial Assurance Corporation (**Great Life**), representing 20% of the total outstanding shares of Great Life to Great Pacific Life Assurance Corporation (**Grepalife**). This sale facilitated the merger of Great Life and Grepalife thereby allowing Grepalife to enjoy the benefits of a stronger company with economies of scale, a wider customer base and market reach. The Bank has a 5% interest in Grepalife and through such ownership retained its bancassurance partnership with Grepalife. The merger of Great Life into Grepalife allowed the Bank to continue to grow its bancassurance partnership with a more effective and bigger Grepalife.

Bancassurance relationship with Sun Life Financial

In February 2011, Sun Life Financial announced that it had entered into an agreement with GPL Holdings, Inc., a member of YGC, to acquire 49% of Grepalife Financial, Inc., which resulted in the creation of a restructured entity called Sun Life Grepa Financial, Inc. The new joint venture entity allowed Sun Life Financial Philippines to form a bancassurance relationship with the Bank and provide protection products to the Bank's clients nationwide. Pursuant to the agreement, Sun Life Grepa Financial, Inc. has entered into an exclusive distribution agreement with the Bank, which has given rise to a line of insurance products that have been made available to the Bank's customer base through its branch network. The transaction received regulatory approval in February 2012.

Corporate Banking

As at 31 December 2024, the CBG accounted for ₱287.11 billion or approximately 40.4% of the Bank's loan portfolio. For the years ended 31 December 2022, 2023 and 2024, the CBG accounted for 108.90%, 158.34% and 163.30% of the Bank's consolidated income before tax, respectively. The CBG provides its corporate customers with a wide range of banking products and services, including deposit products, cash management services, revolving credit lines, medium- and long-term loans, project finance loans, foreign currency loans, trade-related financing, payment remittances and foreign exchange transactions. The CBG caters to three customer segments: (i) conglomerates, which play a major role in both the local and global economy; (ii) multinationals & ecozones, with a strong presence in the Philippines; and (iii) Filipino-Chinese businesses. The Bank also has an established track record of servicing clients in SEZs.

The Bank believes the corporate market will remain a growth area. To further enhance relationships with large corporate clients, assistance in the form of loans has also been offered to key suppliers, distributors, and other business partners of these clients under the Bank's supply chain financing program. Many of the CBG's corporate clients are included in the list of the "Philippines' Top 1000 Corporations" published annually by BusinessWorld.

The Bank provides corporate lending and cash management services to Japanese entities operating in the Philippines, of which many have maintained a long relationship with RCBC. A number of these relationships were established through its previous affiliation with UFJ. The Bank believes that it has established a strong reputation among Japanese entities and that it will continue to be competitive in this sector following SMBC's acquisition of a 20 % stake in the Bank. CBG continues to defend its Japanese market presence while takings actions to build up market share for Korean and other foreign entities in the ecozone areas. Steps taken to achieve these include engaging in a business cooperation agreement with Resona Bank, The Shoko Chukin Bank and Kookmin Bank and entering into a capital alliance with SMBC.

The CBG also specializes in providing banking services to clients located in SEZs, particularly Japanese clients. SEZs, or "ecozones", are independent communities within the Philippines that administer their own economic, financial, industrial and tourism development. Companies that operate within SEZs receive certain tax benefits and must meet certain standards of operations. As of 31 December 2024, there were 78 active operating manufacturing

SEZs in the Philippines according to the Philippine Economic Zone Authority, and the Bank has established 47 branches within the area of certain SEZs to better serve its customers.

CBG is also a leading provider of corporate banking services to Filipino-Chinese clients focusing on trade finance to finance import requirements. The Bank believes that its membership in YGC, which includes a number of Filipino-Chinese companies, is an asset in attracting and maintaining Filipino - Chinese customers. This is therefore an area in which the Bank will continue to maintain a strong presence.

The short-term credit facilities that CBG provides are principally for working capital. Trade-related credit facilities include foreign and domestic letters of credit and trust receipt lines as well as export advance lines and the discounting of commercial bills. Long-term loans (i.e. those with maturities in excess of one year) are generally in the form of project financing loans. These include loans to finance the construction or acquisition of renewable energy power projects, telecommunication towers, data centers or buildings, the acquisition of equipment and other capital expenditures.

The CBG offers both Peso-denominated and foreign currency-denominated (primarily U.S. dollar) loans. The Bank's policy is to extend foreign currency loans only to exporter customers who have foreign currency revenues or are otherwise hedged. Most of CBG's corporate loans are made on a floating rate basis. The CBG's corporate lending is made on both syndicated and non-syndicated bases.

The Bank also offers products from the Treasury Group to support its corporate clients' increasingly sophisticated needs through funding and hedging products. The CBG has successfully assisted clients in accessing long-term capital via public market offerings and other debt and quasi-equity funding structures.

SME Banking Group

After consolidating its SME lending from RBG to CBG, the Bank initiated a five-year business plan in 2008 aimed at strengthening its presence in the SME market. This involved changing the Bank's loan origination and administration processes, strengthening organization, and using technology to bring the Bank closer to SMEs. The Bank implemented a new screening system for loans, introduced credit scoring, simplified handling of existing accounts and opened additional SME offices around the country, increasing the number of lending centers from four to nine situated in strategic locations throughout the country.

Now, at the forefront of the Bank's vision is the implementation of various and enhanced SME credit programs. These are designed to create an environment in which SMEs can expand their businesses by augmenting working capital requirements, helping them establish a credit track record, and providing advisory assistance on scale optimization, including for those SMEs looking to develop into large corporations, eventually paving the way for a wider array of suitable off-the-rack business solutions to more SMEs.

One of these programs is the Small Enterprise Program (SEP), which was designed for SMEs with the flexibility of providing for both their short-term and long-term financial needs. Applicable to loan requirements of up to ₱50 million, this programme employs a credit scoring evaluation system that simplifies the onboarding of new customers and accelerates the renewal of existing accounts.

One of the key strategies of SMEBG is customer acquisition through focused leads, where the group has close ties with clearly defined target markets such as cooperatives and savings associations. This focused marketing resulted in a 23% increase in new accounts which, as of 31 December 2024, amounted to 537 as compared to the number of new accounts as of 31 December 2023 at 437.

The Bank also launched a new app, "RCBC Boz" during the fourth quarter of 2023. The RCBC Boz app was designed with entrepreneurs, freelancers, and similar clients in mind, helping them to easily keep track and manage their business performance and help them achieve their goals.

The Bank continues to expand its reach in the SME market. As of 31 December 2024, the Bank's total SME market loan portfolio amounted to ₱137.8 billion or 19.4% of the Bank's consolidated total loan portfolio, compared to ₱126.5 billion as of 31 December 2023.

Through these initiatives for the SMEs, the Bank earned both local and international awards for the Bank: the Best SME Banking Brand (2021, by the Global Brands Magazine); Honorable Mention for the Best SME Financier of the

Year category (2021, SME Finance Forum); the Best SME Bank Philippines (2022, Global Banking Finance); the Best SME Bank Philippines (2023, Global Banking & Finance, The Digital Banker and Asian Banking and Finance); and the Best SME Bank in the Philippines (2024, Euromoney, Global Banking and Finance and Asian Banking and Finance Retail Banking Awards).

Today, the SMEBG is composed of seven regional divisions, further broken down into 17 lending centers strategically located across the nation. It has another division dedicated to onboarding of smaller ticket accounts through a simple set of underwriting parameters; and two support divisions focused on business development and business administration. SMEBG employs a holistic approach in helping clients grow their businesses focusing not only on the clients' lending requirements but going beyond by offering bundle products and services in synergy with other groups within RCBC or affiliate companies within the YGC.

Treasury Group

The Bank's Treasury Group accounted for 33.11%, 28.49% and 47.07% of the Bank's consolidated income before tax for the years ended 31 December 2022, 2023 and 2024, respectively.

The Bank's Treasury business posted a 21% year-on-year increase from 2023 to 2024 in interest income from trading and investment securities. With the launch of the RCBC Pulz app, customers were able to enjoy its powerful features, including buying and selling up to six foreign currencies (U.S. Dollars, Hong Kong Dollars, Euro, British Pounds, Japanese Yen, and Singapore Dollars) in real time. This feature helped boost the Bank's online foreign exchange sales by 50% year-on-year from 2023 to 2024.

The Treasury Group is comprised of the following:

- The Asset and Liability Management Group is comprised of the Asset Portfolio Management Segment and the Reserves and Liquidity Management Segment. The Asset Portfolio Management Segment handles investment activities and operations geared towards achieving investment revenue targets related to various treasury instruments. The Reserves and Liquidity Management Segment is responsible for ensuring that the Bank has adequate liquidity at all times and provides active support to the Bank's core business strategies in the areas of lending, investments and deposits to maximize the Bank's net interest income.

- The Trading Division is tasked to generate trading income in the fixed income, foreign exchange and derivatives spaces.

- The Treasury Sales & Digital Service Delivery Segment is the Treasury Group's marketing arm and works closely with the other divisions as well as the Bank's business managers to market treasury products and services to clients.

- Financial Derivatives Solutions Division is responsible for derivative product development and support to the group through derivative solutions.

- The Financial Institutions & Support division is responsible for the correspondent banking business, including expanding liability sources and exploring new trade product structures from its relationships with other financial institutions. It also is responsible for providing non-sales support for the Treasury group in the areas of regulatory compliance, information systems, records management, business continuity planning, and budgeting.

- Subsidiaries Treasury Risk Positions Segment gives advisory service to the Bank's different subsidiaries on, among others, improving its liquidity position and addressing funding gap issues. It is also responsible for product development that will best suit the needs of the Bank's subsidiaries.

Total Investment Portfolio

The following tables set forth, as of the dates indicated, information relating to the Group's total investment portfolio.

	For the year ended 31 December											
	2022				2023				2024			
(in ₱ millions)	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
Governmental Securities	275,538	255,339	-	4,370	287,060	266,188	-	2,883	356,049	356,139	-	3,309
Other debt securities	92,079	79,702	-	2,204	37,675	35,728	-	1,586	42,095	42,005	-	1,534
Total debt securities	367,617	335,041	-	6,574	324,735	301,916	-	4,469	398,144	398,144	-	4,843
Non-debt securities	6,748	6,748	1,026	-	6,007	6,007	1,277	-	6,987	6,987	1,516	-
Total	374,365	341,789	1,026	6,574	330,742	307,923	1,277	4,469	405,131	405,131	1,516	4,843

Fair Value Through Other Comprehensive Income

The following table sets forth, as of the dates indicated, information related to the Bank's financial assets at fair value through other comprehensive income in accordance with PFRS 9.

	For the year ended 31 December											
	2022				2023				2024			
(in ₱ millions)	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
Governmental Securities	53,492	53,492	-	4,370	65,962	65,962	-	2,883	140,397	140,397	-	3,309
Other debt securities	57,822	57,822	-	2,204	12,571	12,571	-	1,586	14,091	14,091	-	1,534
Total debt securities	111,314	111,314	-	6,574	78,533	78,533	-	4,469	154,488	154,488	-	4,843
Non-debt securities	3,632	3,632	1,026	-	3,904	3,904	1,277	-	4,142	4,142	1,516	-
Total	114,946	114,946	1,026	6,574	82,437	82,437	1,277	4,469	158,630	158,630	1,516	4,843

Financial Assets at Fair Value Through Profit or Loss

The following table sets forth, as of the dates indicated, information related to the Bank's financial assets at fair value through profit or loss.

	For the year ended 31 December											
	2022				2023				2024			
(in ₱ millions)	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
Governmental Securities	3,883	3,883	-	-	9,647	9,647	-	-	7,257	7,257	-	-
Other debt securities	38	38	-	-	28	28	-	-	132	132	-	-
Total debt securities	3,921	3,921	-	-	9,675	9,675	-	-	7,389	7,389	-	-
Non-debt securities	3,116	3,116	-	-	2,103	2,103	-	-	2,845	2,845	-	-
Total	7,037	7,037	-	-	11,778	11,778	-	-	10,234	10,234	-	-

Amortized Cost

The following table sets forth, as of the dates indicated, information related to the Bank's financial assets at amortized cost in accordance with PFRS 9.

	For the year ended 31 December											
	2022				2023				2024			
(in ₱ millions)	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss	Book Value	Market Value	Unrealized Gain	Unrealized Loss
Governmental Securities	218,163	197,964	-	-	211,451	190,579	-	-	208,395	208,395	-	-
Other debt securities	34,219	21,842	-	-	25,076	23,129	-	-	27,872	27,872	-	-
Total debt securities	252,382	219,806	-	-	236,527	213,708	-	-	236,267	236,267	-	-
Non-debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	252,382	219,806	-	-	236,527	213,708	-	-	236,267	236,267	-	-

Consumer Banking

The Bank's Consumer Banking Group provides mortgage loans, auto loans, and issue credit cards. The Bank's branches, both commercial and savings, provide promotional materials on consumer loans, credit cards, and insurance products.

Residential Mortgage Loans

The Bank's residential mortgage loans have a term of one to 30 years with loan amounts averaging ₱3,500,000. Residential mortgage loans are secured by a first mortgage on the property being purchased. Such loans are insured with the Home Guaranty Corporation (the HGC) and may be called upon if the borrower misses payments for six months or more. Residential mortgage loans are typically payable in monthly amortising payments based on market-linked interest rates with terms of one to five years. The Bank may lend up to 80% of the internally appraised value of the house and lot. The Bank requires borrowers to obtain both fire insurance and mortgage redemption insurance and will generally refer these customers to the Bank's insurance brokerage.

Auto Loans

The Bank provides auto financing to individuals for the acquisition of new and second-hand vehicles as well as general purpose loans secured by customer's vehicles. As of 31 December 2024, the Bank had ₱62.4 billion in auto loans. The Bank's auto loans are typically in the amount of ₱1,100,000 and for terms of between 48 and 60 months on average. The minimum and maximum terms are 12 and 60 months, respectively. The applicable interest rate is generally fixed with an amortizing repayment schedule over the term of the loan. The Bank also typically lends up to 80% of the value of a new car. For second-hand vehicles, the Bank lends up to 80 % of the appraised value or selling price (whichever is lower).

The Bank's auto loans are generated from car dealerships and independent sales agents, and sourced internally through branch referrals, walk-in clients and refinancing. The Bank also provides economic incentives to car dealerships and independent sales agents based on each approved auto loan amount.

All of the Bank's auto loans are secured by a first legal charge over the cars being purchased. In addition, the Bank generally requires car buyers to make a minimum down payment of 20% of the purchase price. The interest rates of the Bank's auto loans are competitive and range from 8.0% to 10.0%.

The Bank's policy towards foreclosure proceedings on auto loans is more conservative than that typically followed in the Philippine banking industry. The Bank commences foreclosure proceedings when an instalment payment falls past due for 90 days, as opposed to 121 days for most banks. It generally takes between five to eight months from the past due date to foreclose on the car, which is then sold through a public auction.

Personal and Salary Loans

The Bank offers personal loans and salary loans. Personal loans are offered to prospective customers who apply on an individual basis, while the Bank offers salary loans through the respective companies at which customers are employed.

The Bank offers unsecured personal loans in amounts from ₱20,000 to ₱10 million. As of 31 December 2024, the average amount of unsecured personal loan is at ₱960,000.00. Payment is through issuance of post-dated cheques or automatic debit arrangement. Salary loans, which are only offered through accredited companies and by way of salary deduction, range from ₱10,000 to ₱2 million with an average of ₱118,000 as of 31 December 2024.

As part of the Bank's commitment to innovation and digitalization, personal and salary loans are now also available through digital means. The Bank now carries four digital loan products, namely Payday NOW, Salary Loan NOW, Digital Personal Loan and Pasado, which aim to meet customers' funding needs in a fast, simple, and reliable manner. Payday NOW and Salary Loan NOW are available to prequalified payroll clients of the bank while Digital Personal Loans are available to prequalified depositors and housing loan clients of the bank. These loan solutions are offered via RCBC's Pulz app. Pasado is a digital loan that aims to onboard new-to-bank customers and is offered through Diskartech.

Deposit Products

The Bank provides its customers with a variety of deposit accounts, including non-interest-bearing demand deposits, interest-bearing combinations of cheque book and savings accounts (including savings accounts, checking accounts, time deposits and premium time deposits), and fixed and floating rate savings accounts. In addition to offering conventional deposit products, the Bank offers a variety of special value-added products and services, thereby increasing product offerings and providing greater convenience for customers, including products tailored for OFWs and their beneficiaries who remain in the Philippines and U.S. dollar time deposits. As of 31 December 2024, the Bank's deposits grew in line with Universal and Commercial Banking Industry at 6.8%. The Bank's CASA mix of 52.6% was lower than industry's 72.1% and top 8 banks' average mix of 61.7%.

With total deposits of ₱1.0 trillion, the Bank ranked fifth in terms of total deposits as of 31 December 2024, based on Audited Financial Statements.

Micro Finance through Rizal Microbank, Inc. – A Thrift Bank of RCBC

Rizal Microbank (**RMB**) is the thrift banking arm of RCBC that is focused on providing financial products and services to the "bottom of the pyramid", specifically the highly entrepreneurial segment of the microenterprise sector. Over 90% of households still remain unbanked and underserved, thus, providing Rizal MicroBank with a huge potential market for its financial products and services which it aims to tailor to its target market. Since its activation in 2010 by way of offering microfinance products and services, Rizal Microbank has expanded upward to serve also the sub-small enterprise segment or the so-called "missing middle" – comprised of small entrepreneurs whose loan requirements are below the lending floor of small and medium enterprise loans. In additional to its focus on the micro and sub-small enterprise segments, and to further advance financial inclusion, Rizal Microbank introduced agricultural loans in 2015 using the value chain finance framework/approach. The agricultural loan product seeks to provide financing to agricultural value chain participants such as traders, consolidators, aggregators, and processors who create something out of the farmers' produce and bring them into their market in the Philippines and abroad. This foray into agricultural lending through the value chain framework/approach aims to provide the bank deeper insights into the agriculture sector and allow it to design and offer financial products and services specifically customizable to farmers engaged in various production activities. RCBC and Rizal Microbank are pursuing this initiative since most of those unbanked and underserved are found in the rural and farming areas of the country.

As of 31 December 2024, the outstanding core loans portfolio of RMB (comprising micro and small business loans) stood at ₱1,110.00 million, with 3,130 active borrowers. As of 31 December 2024, RMB had outstanding deposits of ₱944.63 million, with a total of 19,174 accounts.

The acquisition by the Bank of JP Laurel Rural Bank and Merchants Bank enabled it to utilize JP Laurel Rural Bank's branch network in Batangas (in the Luzon region) and Merchants Bank's branch network in Mindanao to expand its micro-lending operations. In 2012, the Bank integrated its microfinance operations in Luzon and in Mindanao under Merchants Bank and rebranded it as RMB. In 2013, the Bank opened its first micro-banking office in Lipa City, Batangas. In 2016, the Bank relocated two of its RMB branches from Luzon to Cebu to start its foray in the Visayas region.

RMB became profitable in 2018 and sustained profitability in 2019 but suffered losses in the next two years (2020 and 2021) as the COVID-19 pandemic severely impacted its micro and small enterprise clients, considered vulnerable segments of society. RMB registered a net loss of almost ₱90 million in 2020 due to higher loan loss provisioning and reduction in loan volume. In 2021, RMB still registered a net loss, but it was reduced to almost ₱10 million with better portfolio and fund management as well as cost-cutting measures.

RMB aims to be the financial partner of choice for micro and small entrepreneurs. As of 31 December 2024, RMB operates nationwide with a total of 16 branches and 10 branch lite-units.

RMB's goal is to offer customer-centric, innovative products that make financial services more accessible and convenient for Filipinos. To achieve this key objective, RMB leverages three business units or channels that will drive RMB's continuous growth: (i) the existing branch network, (ii) branch-lite units, and (iii) value chain financing program. While these lending groups handle loan marketing, origination, and processing, they receive support from the Credit Management Department to maintain robust credit policies, as well as from the Corporate Planning and Strategic Partnerships group to establish linkages and partnerships that enhance financial access for organizations and their members in rural areas.

Complementing the traditional distribution network of RMB is its agency banking program called Bangko ng Bayan. RMB plans to further expand the program following successful migration in October 2019 to a new core banking system that is cloud-based, adopting a software as a service model and the grant in 2020 of an Electronic Payment and Financial Services license by the BSP. RMB's agency banking program continues to harness existing and new partnerships with barangay-based merchants to facilitate on-boarding of the unbanked and underserved population to provide them a transaction account via the bank's Pangarap Savings (basic deposit account product). In addition, merchant-partners also facilitate the conduct of financial services such as deposits and withdrawals of basic deposit and ordinary savings account holders, bill payments, and referral for loans and micro-insurance. The initiative is being pursued to improve the distribution network of RMB without incurring large capital and operating expenditures while at the same time, working towards achieving the government's goals under the national strategy for financial inclusion.

Credit Card Operations

Since acquiring substantially all of the assets of Bankard, Inc. (**Bankard**) in December 2006, the Bank has been conducting credit card operations at the parent company level. Under the terms of the acquisition, the Bank acquired, among other things, ₱7.2 billion of credit card receivables and certain building units. The consideration for the sale included the assumption of certain liabilities and the set-off of certain debts owed by Bankard. Following the sale, RCBC wrote off ₱2.6 billion of credit card receivables acquired from Bankard against allowances for impairments.

Bankard and the Bank have entered into a services agreement pursuant to which the Bank outsourced the servicing of its credit card business to Bankard. These services include marketing, distribution, technical, collection, selling assistance and processing services. On 18 October 2013, the Board of Directors of RCBC approved the sale of its 89.98% collective stake in Bankard, Inc. to RYM Business Management Corp. together with other investors. In view of the change in ownership and management, the credit card operations of RCBC were transferred from Bankard to RCBC Bankard Services Corp., a wholly-owned subsidiary of RCBC Capital Corp., (**RCBC Capital**) effective 16 December 2013.

The Bank is engaged in two principal credit card activities: card issuing and merchant acquiring. The Bank derives income from annual fees charged to cardholders, transaction commissions from merchants, fees on cash advances and interest income on outstanding card receivables, currently at the rate of 3.0% per month and, on penalties for past due accounts, ₱850.00 per month or the amount due whichever is lower. Annual cardholder fees range from ₱960.00 to ₱6,000.00. The interest rates on deferred and installment payments range from 8.50% to 21.50% per annum. The total amount of cash advance is limited to 30.00% to 50.00% of credit limit with a cap of ₱100,000.00 to ₱250,000.00, respectively. Interchange fees range from 0.25% to 2.00%.

Funding for the Bank's credit card operations is provided by a combination of internally generated funds and retained earnings.

Credit Card Issuance

The Bank has been licensed by each of Visa International, Mastercard International Inc., Japan Credit Bureau and UnionPay International to issue credit cards under each respective brand. Based on the Credit Card Association of the Philippines' industry report, RCBC Bankard was the fifth largest credit card brand in the Philippines in terms of issuing billings and receivables and sixth in terms of active card base as of 31 December 2024.

The Bank's strategy is to continue to grow the credit card portfolio and drive profitable growth for the credit card business enabled by digitalization and better customer experience.

As a necessary support to credit card issuance, the Bank offers its customers an "Interactive Voice Response System", a customer hotline service through a call centre operated 24 hours a day seven days a week, on-line statement-of-account viewing and statement fax-on-demand, all free of charge. In addition, the Bank also launched the Electronic RCBC Credit Cards Interactive Customer Assistant (also known as RCBC Virtual Assistant). This tool enhances the social media messaging platform for customer service by assisting customers with various tasks, including account inquiries, card activation and communication card promotions.

In 2023, the RCBC Pulz app was launched, which enables customers to maintain control over their personal finances and manage their cards in a smarter, safer, easier and more secure way. Its growing popularity among customers helped boost the Bank's credit card transactions and reduced the cost-to-serve of the growing credit card customer base.

As of 31 December 2024, total outstanding credit card balances amounted to ₱110.5 billion. The delinquency rate on balances overdue for more than 30 days was 5.19% as of 31 December 2024.

In August 2003, the BSP issued Circular No. 398 under which credit card companies were required to move from measuring delinquencies by bucketed aging, which classifies outstanding balances depending on when the balance becomes due, to accelerated aging whereby all the receivables from a single cardholder are aged-based on the longest dated overdue charge, even if there are other charges for such account which may not be overdue.

The following table sets out Bankard's total credit card balance, credit card numbers, revenue, net income, total credit billings and delinquency rates as of and for the periods indicated:

	As of and for the year ended 31 December		
	2022	2023	2024
	(in ₱ millions, except credit cards outstanding and delinquency ratio)[5]		
Cardholder fees and commission income	2,485	3,217	4,148
Merchant acquirer commissions	57	88	100
Net interest income (loss)[1]	4,772	7,313	10,385
Operating income	4,296	6,627	9,353
Provisions for loan losses	2,988	3,735	5,128
Credit card balances[2]	49,310	73,508	108,710
Credit card charge volume[3]	96,306	139,381	195,983
Credit card outstanding (in thousands)	951	1,042	1,260
Delinquency rate[4]	3	4	4

Notes:

(1) Includes financing income net of funding cost.

(2) Includes credit card loans from current to 179 days past due.

(3) Charge volume is equivalent to gross billings of cardholders.

(4) Delinquent balances are those that are overdue for 30 to 179 days. Delinquency rate equals the total delinquent balance divided by total credit card receivables current to 179 days past due.

(5) All amounts are based on the credit card business in the Bank's books (based on simple summation of the amounts).

RCBC Bankard credit cards are available in all the Bank's branch network, other YGC companies and co-brand partners' outlet stores. Bankard is also present online via out official website, co-brand websites, and leading social media platforms. Other acquisition channels include direct sales and telesales, electronic direct mails, sponsorships, events and building blitzes.

Merchant Acquiring

As of 31 December 2024, the Bank had relationships with approximately 7,573 head office merchant relationships and 21,200 merchant outlets. For the full year ended 31 December 2024, the Bank's top 200 merchant relationships or point of sale swiped transactions provided more than 70% of the Bank's total credit card billings. For the same period, the Bank's acquiring volume and gross merchant discount amounted to ₱39.57 billion and ₱489.71 million, respectively.

Branch Banking

As of 31 December 2024, the Bank had a total of 465 branches, which includes 12 branch lite offices, of which 439 branches belonged to the Bank and 26 to RMB. As of the same date, the Bank had a total of 9,429 ATMs (including ATM Go terminals).). The Bank's branches are connected and networked to the Bank's IT systems and infrastructure located in the Bank's head office. The Bank has consolidated and closed 77 of its branches between July 2020 and December 2024 and plans to selectively expand its branch network through the opening of new branches and the opportunistic acquisition of small- to medium-sized banks with networks that will complement the Bank's existing network. The Bank has endeavored to transform its branches into effective sales and service channels that will focus on low-cost deposits generation, acquisition of retail customers, and referral of bank and other YGC products. The

Bank plans to develop alternative channels aimed at migrating customer transactions from the counter, thereby freeing up branch personnel to concentrate on selling and more value-adding activities. In the medium-term, the Bank seeks to boost other income by offering more fee-based services. Following the BOB Incident (See "*Description of the Bank – Legal Proceedings – Others – Alleged Unauthorized Transfer of Funds – Bangladesh Bank*"), the BSP required the Bank to reform the staffing at its branches by separating sales staff from operations staff with their own separate reporting lines. While such separation has resulted in increased costs arising from the employment of additional branch staff, this has also resulted in opportunities for the Bank as it now has a dedicated team focused on sales efforts.

The following table sets out details of the Bank's branches, ATMs, and extension offices in operation as of the specified dates:

	As of 31 December		
	2022	**2023**	**2024**
Metro Manila (incl. Cainta and Taytay).................................	189	184	183
Luzon	151	154	158
Visayas	62	60	60
Mindanao	60	60	64
Total	462	458	465
ATMs	1,352	1,460	1,482
Extension offices	5	4	12

The Bank provides 24-hour banking services through its ATM facilities, which are located in various branches and at off-site locations, such as client sites to render payroll service, and shopping malls. Customers are given access to the ATM facilities through ATM cards, which are issued to checking and savings account holders. The Bank is a member of the Bancnet ATM consortium, which allows its customers to use the ATMs of other banks in the Philippines and similarly allows other banks' customers to use the Bank's ATM network.

Customer service is further improved through tight management and close monitoring of each branch. The RBG manages the branch network of the Bank. The Bank's management information system monitors each branch's profitability, and each branch accounts for its own expenses and revenues. Branch managers, through their respective area and region heads, regularly communicate with the head of the RBG to discuss branch performance. In addition, each branch is subject to monitoring by the Bank's Anti-Money Laundering Act and a periodic compliance testing by the Bank's AML Department. Branches are also subject to a comprehensive audit conducted by the Bank's Internal Audit Group every 12 to 24 months.

Each of the Bank's branches has electronic security systems and armed guards, provided by independent contractors. The Bank also ensures that the amount of cash held in the vaults of its branches is maintained within authorized limits.

Alternative Delivery Channels

Internet and Mobile Banking

Launched in July 2023 as a rebranding of its predecessor RCBC Digital, RCBC Pulz serves as an all-in-one banking application, providing seamless banking experience to users. With its user-friendly and secure platform, RCBC Pulz allows individuals to open accounts anytime, anywhere, with no minimum balance requirement. Filipinos residing abroad can also open accounts using international mobile numbers, further promoting financial inclusivity. As of 31 December 2024, 1,282,315 clients were enrolled in Pulz, of which 72% are active users.

The app's extensive features include QR code-based deposits and withdrawals, check deposits via photo capture, and seamless local and international fund transfers. Pulz also enables users to pay bills, convert purchases into installments, reload telco SIMs and wallets, make toll payments, and engage in real-time foreign exchange transactions across six currencies. It also provides a dedicated financial literacy section and houses the country's first in-app digital Unit Investment Trust Fund (UITF) management feature. RCBC Pulz may be downloaded from the Apple App Store and Google Play Store for free.

In 2020, RCBC launched Diskartech, the world's first multilingual financial inclusion super app, designed to make banking accessible to a broad range of Filipinos. Originally designed to support marginalized groups, including

Indigenous communities in remote areas, the app has since expanded to serve a broader market. Available in Tagalog-English (Taglish) and Cebuano, DiskarTech offers various financial services, including digital savings with a competitive 4.88% interest rate, fund transfers, mobile loads, telemedicine, insurance, and loans. DiskarTech promotes financial inclusion by addressing the needs of underserved communities, particularly in geographically disadvantaged areas. By eliminating common banking barriers such as initial deposits, maintaining balances, and dormancy fees, the app provides an accessible entry point for financial security. Its seamless end-to-end user experience empowers individuals to save, manage their money, and easily access essential financial services. As of 31 December 2024, DiskarTech has approximately 1.5 million users.

ATM Go

RCBC ATM Go is the Philippines' first and most extensive network of grassroots-based and bank-agnostic ATM terminals. Strategically located in accessible community hubs such as public markets, transport terminals, and shopping centers, ATM Go terminals offer cash deposits, cardless withdrawals, international card withdrawals, 12 bank transfers, mobile loading, remittances, and bill payments. Through partnerships with local merchants, grassroots enterprises, and organizations, RCBC continuously extends its reach to a broader population segment and enhances financial accessibility nationwide. ATM Go covered 100% of provinces, 100% of cities, and 93% of municipalities, enhancing access to banking services and providing entrepreneurial opportunities in rural and remote communities.

This digital solution remains a vital component of the government's welfare programs, sustaining its impact even in the post-pandemic era, with over 65% of its financial transactions allocated to social grants and cash withdrawals for beneficiaries of the Pantawid Pamilyang Pilipino Program (4Ps). As of 31 December 2024, the Bank has a total of 7,947 ATM Go terminals.

Call Centre

In October 2003, the Bank established a 24-hour call centre, which handles all inbound inquiries for current and savings accounts, as well as ATM, remittance and stock transfer services offered by the Bank. The RCBC Contact Centre does not handle credit card products and services, which are handled by the Bankard call centre.

Global Transaction Banking

The Global Transaction Banking Group (**GTBG**) has two main businesses under its responsibility: Corporate Cash Management (**CCM**) and the Global Filipino Banking (**GFB**). With a very broad range of customers, GTBG through the use of technology, local and international tie ups, the Bank's branch network, and through continuous innovations and improvements to its core services, is tasked to deliver the appropriate solutions to its various target markets.

Corporate Cash Management

CCM is tasked to create a whole suite of cash management solutions designed for a broad range of customers from SMEs to large conglomerates. CCM's services can be broadly classified under two main types: collections and disbursements. Collection services allow SMEs and corporate clients to efficiently collect payments, sales and other amounts due to them using the Bank's different collection facilities and channels. Collection services include the following facilities: bill collection, automatic debit arrangement, post-dated check warehousing and deposit pick-up. The Bank's disbursement services allow its clients to conveniently and efficiently process their payables, as the Bank offers automated processing and reconciliation of a client's various payment transactions. Disbursement services include outsourced corporate check and manager's check printing, payroll services, fund transfers, and government payments. The main channel of delivery and information of its services is the Bank's corporate internet banking system.

As of 31 December 2024, CCM achieved a deposit growth of ₱12.06 billion. This translated to volume growth from 31 December 2023 of 23% for payments and 14% for receivables with a total of ₱2.05 trillion of funds that flowed in through various cash management solutions.

In 2017, CCM launched the new corporate internet banking platform, the RCBC Online Corporate, an online facility for cash management services, which aims to support growth targets for payments and for receivables.

Global Filipino Banking (GFB)

Global Filipino Banking, better known as RCBC TeleMoney, is the Bank's core remittance business. Through this segment, the Bank provides remittance services to the wide network of Overseas Filipinos, both land-based and sea-based, and their beneficiaries here in the Philippines.

These remittance services include the following:

- RCBC TeleCredit – RCBC TeleCredit allows OFWs to have their remittances credited directly to an RCBC savings account or any account with other local banks. This is the safest and fastest way to remit funds as proceeds are immediately credited to the OFW or beneficiary's account.

- RCBC TeleRemit – This allows the beneficiary the option of picking up cash from any branch of RCBC or branch of domestic tie-up partners. These domestic tie-up partners make it possible for the beneficiary to claim their remittance even after banking hours or during weekends and holidays.

- RCBC TelePay – TelePay is RCBC's international bills payment service that allows overseas Filipinos to course their payments intended to around 600 TelePay-accredited companies in the Philippines. Remitters may pay for their SSS contributions, home amortizations and insurance premiums, among others, with the use of this service.

- RCBC TeleDoor2Door – This allows cash to be delivered via courier directly to the beneficiary's given address, providing ease and convenience to the beneficiary.

- Maritime Allotment Payment System (MAPS) – MAPS is a complete payroll solution system designed specifically for shipping and manning companies that deploy employees abroad. A 201 HR file, it can generate reports such as Philhealth, Pag-ibig and SSS as well as print payslips for both seafarers and beneficiaries.

The Bank has targeted remittance operations as one of its key drivers of growth. RCBC Telemoney has focused on meeting the evolving needs of the OFW customers in the digital world. OFWs can now open a Telemoney account online via Pulz anywhere in the world. They can also send money online to their loved ones in the Philippines through the Bank's remittance tie-up partners. Moreover, the Bank continuously strives to deliver the best customer experience to remittance tie-up and payout partners and remitters and beneficiaries, thus investments in the enhancements on the remittance systems are being done. A refreshed branding effort is also planned to reflect a modern image that resonates with younger demographics.

Marketing

The Bank operates a separate product development and marketing division responsible for the overall marketing strategies, product conceptualization and management of deposit-related products and services.

The Bank has been focused on the promotion of cash management, deposit development, fee-based products and services, SME and consumer lending since its 2015 marketing campaign. The Corporate Communications office handles the branding strategy and publicity campaigns of the Bank and makes use of an internal YGC advertising agency.

Operations

The Operations Group manages the Bank's back-office processing functions. The Operations Group is composed of three segments and one division:

Head Office Operations Segment provides back-office support for branches and other business units, composed of four Divisions:

- Regional Support Division provides (1) bankwide cash servicing support to branches including deposit pick up and ATM servicing; (2) operations support for check clearing (inward and outward); and (3) backroom support for regional branches.

- Remittance and Payments Services Division provides inward and outward remittance processing and operational support for all types of payments and fund transfer products and services.
- ATM Service Division provides operational support for ATMs, covering various products and services from implementation, card production, monitoring, reconciliation, investigation and centrally managing customer queries and complaints across all customer touch points.
- Capital Markets Services Division covers lending and trade finance processing and treasury operations from documentation review, transaction implementation, to accounting and reportorial requirements.

Branch Services Support Segment handles operations of the entire 465 branch network.

Branch Operations Control Segment is composed of two Divisions (Branch Control Division and Middle Office Support Division) and two Departments (Digital Branch Support Department and Quality Assurance Department) directly reporting to the Segment Head.

Management Services Division provides support to specific functional areas and identified stakeholders in the Bank in analysing, designing, documenting and/or improving business processes, systems, and/or organizational structures. It is composed of three departments.

The Bank continues to implement changes in its processes and enhancements to its information technology system, including the introduction of Lean 6 Sigma (a collaborative method aimed at improving performance by systematically removing waste and reducing variation) with the aim to deliver more operational savings to its operations and improve turn-around time of its services to customers.

Information Technology Shared Services Group

The Bank's Information Technology Shared Services Group (ITSSG) is responsible for delivering IT services to the Bank and its subsidiaries such as RCBC Bankard and RCBC's international operations. ITSSG was established in 2008 to provide IT systems and infrastructure support at a lower operational cost than previously incurred by the individual member companies, while applying consistent policies, procedures and standards to strengthen IT governance across the Group. As of 31 December 2024, ITSSG had 278 employees.

The core objective of the Bank's IT program is to use technology to transform the Bank's present business and operating models to be more adaptive, agile and customer-centric, and to improve the Bank's service to its clients by offering internet banking and electronic payment services, and using technology to analyze customer information and train the Bank's employees. To this end, the Bank has implemented a number of initiatives, some of which are described below. The core objective of the Bank's IT program is to use technology to transform the Bank's present business and operating models to be more adaptive, agile and customer-centric, and to improve the Bank's service to its clients by offering internet banking and electronic payment services, and using technology to analyze customer information and train the Bank's employees. To this end, the Bank has implemented a number of initiatives, some of which are described below.

Continuing its innovation journey, the Bank's notable initiatives from 2018 onwards include the launch of the first online FX execution platform in the country in 2018, allowing eligible clients to buy and sell currencies online, and "Branch of Today" in 2019 which are bank branches that are paperless and digital.

As part of this journey, the Bank has been a pioneer in introducing ATM cardless withdrawal services, having implemented the feature as early as 2019. Building on this innovation, the Bank further enhanced the service with the introduction of QR code-based cardless withdrawals and the launch of ATM GO Cardless Withdrawal, providing customers with additional convenient and secure options for accessing cash.

As the Bank's forefront in the digital transformation of RCBC, ITSSG continues to implement a significant number of key projects to support the Bank's digital transformation strategy with the aim of enhancing services and providing excellent customer experience. Even with the advent of COVID in 2020, the Bank persisted to provide innovative solutions including contactless transactions that allow its customers to still avail of the Bank's products and services. Such notable initiatives are mobile and bulk check scan for corporate clients which provided a way for customers to deposit checks without going to the RCBC branches and Secure Document Exchange which gave bank customers a way of continuing to transact and send documents to chosen bank recipients. This was also the time the Finacle Core Banking System was migrated to a new open system platform that allows for higher levels of performance and resiliency to support future growth. It was also the year that RCBC launched Diskartech, a financial inclusion mobile app designed for the unbanked and underserved Filipinos. It offers services like basic deposit accounts, cardless ATM withdrawals, bill payments among others.

Aside from enhancing its platform for improved customer service and offering, the Bank also undertook changes in its office productivity tools. The implementation of the Google Workspace collaboration platform has allowed the Bank's digitally progressive workforce to continuously collaborate and communicate with its customers and business partners. A new identity management and cloud security solution has enabled Bank employees to work from various locations, at home or at the office, and securely access systems that are on premise or in the cloud.

The Bank enhanced its system monitoring capability gaining visibility on the application performance and user experience of its customers when using the applications.

To ensure that the applications are running on supported platforms, the Bank is continuously expanding and upgrading our IT infrastructure capacity on-premise and in the cloud.

The migration to Oracle Fusion Cloud - ERP project took place in 2021 and has taken advantage of having an enhanced facility for procure-to-pay process, booking and monitoring of general accounting services and transactions for financial reporting. With this cloud solution, the Bank has gained the benefits of lower cost of application management and maintenance, flexibility of an integrated solution to support evolving business requirements and the long term benefit of using the latest version of the application at all times.

In the same year, the Bank also enhanced its data analytics capability and platform using Microsoft cloud services. It enabled the Bank to simplify data management and increase the use of advanced analytics capability to monetize data through revenue opportunities. Together with the use of cloud-based business intelligence tools, it empowered business users to be able to perform better customer segmentation, visualization and predictive analysis for enhanced customer experience.

From 2022 to present, innovative products and services for corporate clients were launched such as: Corporate Cash Management Direct Connect which allowed customers to use business APIs to directly integrate with their native enterprise systems, Deposit Pickup which allowed timely crediting and notification for clients availing of the cash pickup service, Easy Clear which provided a check clearing process for clients of partner rural banks under the RCBC clearing platform, processing of Point of Sale (POS) transactions for RCBC debit and prepaid cards, RCBC Pay Portal is a managed service which allows RCBC corporate customers to avail of additional payment rails for their e-commerce transactions.

The RCBC AccessOne Internet banking and Mobile application that was launched last 2015 was rebranded last 2023 as RCBC PULz with an updated UI design to enhance usability, making it easier for customers to navigate and complete transactions, which can lead to increased customer satisfaction and loyalty. Like its predecessor, RCBC PULz maintains to be secure, simple and customer-centric which continuously aims to influence customers to change their banking practice by recognizing and embracing the convenience of online banking. Included in the launch of RCBC PULz mobile app is allowing clients to open an RCBC account online with an online eKYC feature that streamlines the account opening process. This onboarding process is designed to be quick and efficient catering especially to digitally connected customers.

Other process improvement initiatives is the Trade Process Review and Automation project that aims to simplify the current process and automate the validation procedure of the Trade Services Department to align with the amendment to the Money Laundering and Terrorist Financing Prevention Program. In Nov 2023, the Bank launched BozApp which is a mobile application that offers a one stop shop for SMEs in setting their goals and targets, monitor their business and personal funds, provide an accounting overview in terms of revenue and expenses, payroll services, ability to generate and send invoices, and eventually loan processing. This tool is to digitize and teach SMEs in managing their funds and provide a new digital channel to support their e-commerce business, and leverage on SME's digital acceleration.

Forward to 2024, as part of the Bank's plan to modernize Retail Loan Systems, in June 2024, the Bank implemented the phase1 New Retail Loan Origination System named as "R1". This system aims to streamline the consumer lending processes and modernize loan systems to a more robust and highly scalable platform which supports the high demands of the consumer loan market. This system runs in AWS Cloud and is also highly integrated to various internal and external systems to achieve quick decision making and high loan disbursement.

In relation to this, the Bank also migrated last August 2024 it's 27 year old FISERV-ICBS Loan Management System (LMS) to the bank's corebanking system, Finacle system.

In addition, the bank enhanced its API infrastructure by upgrading its API Manager with industry-leading solutions, APIGEE and WSO2 API Management. The RCBC API Manager and Gateway facilitates seamless integration and secure communication between internal and external systems, providing the Bank with a centralized, reusable API library within a robust and secure API infrastructure.

As an active member of bank concession, the Bank successfully migrated to Bancnet ISO 20022, positioning itself as one of the few financial institutions to implement comprehensive Person-to-Person (P2P), Person-to-Biller (P2B), and Person-to-Merchant (P2M) payment solutions, both as an Originating and Receiving Financial Institution. This achievement includes the development and deployment of a Merchant System to onboard and manage merchants for the Bancnet P2M payment rail, further expanding the bank's digital payment ecosystem.

In September 2024, the Bank launched the first integrated Governance, Risk and Compliance (GRC) system to unify GRC activities through a single, integrated platform to minimize risk of human errors, improve security of data, establish a single source of truth, and increase overall efficiency. The Bank went beyond traditional risk management and took an integrated approach to a digital and data driven practice, aligning businesses and enabling lines of defense units to quickly, consistently and efficiently make sound decisions, acting as a unified business.

In November 2024, the Bank successfully migrated to its New Wealth Management System (NWMS) from the legacy WMS to provide easy-to-use and more intuitive platforms such as Wealth Onboarding, Order-taking, Portfolio Monitoring and Report Generation. Part of the project objectives are automation of critical processes of the Middle Office Support Division such as order reconciliation, real-time order tracking and SOA generation. The New Wealth Management System also provided easier and effective monitoring of leads as well as integration with various counterparties. It also augmented Relationship Manager (**RM**) support through new smart digital tools for client engagements, RM dashboards, proposal generation, asset allocation and financial planning models and automated portfolio monitoring/alerts.

Intellectual Property

The Bank has not registered any of its intellectual property rights in the Intellectual Property Office at the Department of Trade and Industry of the Philippines. However, the Bank believes that this is a common practice in the banking industry in the Philippines generally. The Bank has not been the subject of any disputes relating to its intellectual property rights.

Legal Proceedings

In the opinion of the Bank, the suits and claims arising from the normal course of its operations that remain unsettled, if decided adversely, will not involve sums that would have a material effect on the Bank's financial position or operating results.

RCBC Securities

In September 2014, Carlos S. Palanca IV (Palanca) and Cognatio Holdings, Inc. (Cognatio) likewise filed a complaint against RCBC Securities with the CMIC, even as Cognatio's earlier complaint dated 30 December 2013 against RCBC Securities, its former Vice President for Operations/Chief Finance Officer, its former Compliance Officer and Valbuena, is pending with the Enforcement and Investor Protection Department of the Securities and Exchange Commission (EIPD-SEC) (the SEC Cognatio Case). In its letter-decision dated 4 December 2014, the CMIC dismissed the complaint on the ground of prescription and res judicata. Consequently, Palanca/Cognatio respectively appealed the case to the SEC En Banc, which granted the appeals of Palanca/Cognatio and reversed the CMIC's decision. In turn, RCBC Securities appealed the SEC En Banc's reversal of the CMIC decision to the Court of Appeals. In a Resolution dated 5 September 2018, the Court of Appeals denied Palanca/Cognatio's Motion for Reconsideration. The matter eventually reached the Supreme Court, which reinstated the ruling of the SEC en banc, directing the CMIC to grant the request for assistance sought by Palanca/Cognatio, in its Decision dated 11 March 2020. RCBC Securities is in the process of complying with the request of Palanca/Cognatio.

Plaintiffs filed letters-complaint before the Capital Markets Integrity Corporation against the corporation seeking for assistance for the production of documents relating to their trading accounts. This case reached the Supreme Court which decided in favor of the plaintiffs. The decision of the Supreme Court attained finality on 7 December 2020. To date, plaintiffs have not filed any motion to execute the judgment of the Supreme Court to produce the documents.

On 22 February 2013, Stephen Y. Ku (Ku) filed a complaint against RCBC Securities with the Regional Trial Court of Makati, praying, among others, for the return of his shares of stock and cash payments which he claims to have turned over to Valbuena. On 20 May 2013, RCBC Securities sought the dismissal of the complaint on the ground of non-payment of the correct filing fees and failure to state a case of action, which was, however, denied by the Makati Trial Court. Aggrieved, RCBC Securities filed a Petition for Certiorari with the Court of Appeals on 22 November 2013, which was given due course. In the decision dated 9 October 2014, the Court of Appeals sustained RCBC Securities' position and ordered the dismissal of the complaint pending before the Makati City Regional Trial Court on the ground of lack of jurisdiction. In a Petition for Review dated 15 September 2015, Ku sought the reversal of the ruling of the Court of Appeals, and, as an alternative, prayed to be allowed to re-file his Complaint sans docket fees. In a Decision dated 17 October 2018, the Supreme Court of the Philippines granted Ku's Petition for Review and ordered the reinstatement of his case before the Makati City Regional Trial Court. RCBC Securities filed its Motion for Reconsideration on 28 November 2018. However, in a Resolution dated 23 January 2019, the Supreme Court of the Philippines denied RCBC Securities' Motion for Reconsideration and ordered the Regional Trial Court of Makati to proceed with the hearing of the case until its termination. The proceedings before the Regional Trial Court of Makati were suspended to give way to mediation. The parties failed to amicably settle and the judicial dispute resolution conference was terminated on 29 October 2019. The case has since resumed at the Makati Trial Court Branch, and Ku and his counsel failed to appear/submit the required Judicial Affidavits of his witnesses on the original date of the pre-trial conference on 13 December 2019

The pre-trial conference was subsequently re-scheduled to 13 February 2020 and was terminated on 27 February 2020, after the completion of the pre-marking of documentary exhibits on 20 February 2020. The Makati Trial Court then set the presentation of Ku's evidence on 12, 19, 23 and 24 March 2020, but cancelled the first setting to give way to the scheduled inventory of court records.

The Makati Trial Court terminated the pre-trial conference of the case on 27 February 2020, and set the presentation of Ku's evidence in March 2020. However, due to the COVID-19 pandemic, Ku's presentation of evidence only commenced on 14 July 2020, and continued on 25 January 2021, 24 February 2021 and 28 May 2021. Ku terminated his presentation of evidence on 16 July 2021, and has since then filed his Formal Offer of Evidence. RCBC Securities presented its evidence on 8 November 2021 and 2 December 2021, and filed its formal offer of evidence on 6 December 2021.

In its Decision dated 10 January 2022, the Makati Trial Court dismissed Ku's Complaint against RCBC Securities. The Makati Trial Court likewise denied Ku's Motion for Reconsideration in its Order dated 1 March 2022. Ku then filed an appeal which remains pending with the Court of Appeals. On 19 June 2024, the Court of Appeals granted the substitution of parties for Stephen Ku's heirs, namely: Parul Quitola Sha and Jesse Ethan Ku. In view of the termination of the mediation proceedings, the appeal is now submitted for resolution.

The BOB Incident

Alleged Unauthorized Transfer of Funds – Bangladesh Bank

In February 2016, there were four cases of alleged unauthorized transfer of funds from the Bangladesh Bank to four accounts in the Bank, which were eventually transferred to various accounts outside of the Bank (the BOB Incident). In August 2016, the Monetary Board approved the imposition of supervisory action on the Bank to pay the amount of ₱1.0 billion in relation to the completed special examination. The Bank has fully recognized the ₱1.0 billion fine as part of miscellaneous expenses in its 2016 consolidated statements of profit or loss and has paid in full this penalty ahead of the August 2017 deadline set by the BSP. The Bank's payment of the penalty did not affect its ability to perform its existing obligations or unduly hamper its operations. Nonetheless, there may still be other regulatory cases arising from these events.

U.S. Litigation relating to the BOB Incident

On 31 January 2019, the Bangladesh Bank filed a complaint with the United States District Court Southern District of New York principally against the Bank, its current and former officers who had significant involvement in the BOB Incident, a money service business and its principals, junket operators and the casinos where the funds were passed through, claiming that they allegedly conspired with North Korean hackers to steal funds from its Federal Reserve Bank of New York (FRBNY) bank account and laundered the same. In particular, the Bangladesh Bank asserted nine causes of action, including conversion, fraud and conspiracy, and is seeking to recover the full amount of the allegedly stolen funds, plus interest, attorney's fees, and other damages, including treble damages under the RICO Act.

The Bank had not been properly served with summons in connection with the lawsuit brought by the Bangladesh Bank, and sought the dismissal of the case on both procedural and substantive grounds, including but not limited to: (a) the ineffectual service of summons upon it; (b) the Bank's contact with New York is not sufficient to confer personal jurisdiction over the Bank in New York; and (c) failure of the complaint to plead a legitimate basis for federal court jurisdiction, as the Bangladesh Bank's claim under the RICO Act fails as a matter of law.

Various motions and responses were filed in relation to the aforementioned prayer for dismissal in the course of 2019. A separate order was obtained by the Bank's former National Sales Director on 9 August 2019 from another United States District Court Southern District of New York to, inter alia, compel the Bank of New York Mellon to produce non-privileged communication documents/testimonial evidence on the payment order on 4 February 2016. The Bangladesh Bank filed a Motion to vacate/quash the Order on 9 August 2019, which was subsequently denied by the United States District Court Southern District of New York on 20 November 2019.

In an opinion and order dated 20 March 2020, the Federal Court of New York granted the Bank's motion to dismiss. The case filed by the Bangladesh Bank was dismissed for failure to state a claim under the Racketeer Influenced and Corrupt Organizations Act (the RICO Act). The Federal Court of New York also declined to exercise jurisdiction over all other state law claims of the Bangladesh Bank. After initially appealing to the United States Court of Appeals and requesting that it be allowed to submit its opening brief, Bangladesh Bank withdrew its appeal.

On 27 May 2020, Bangladesh Bank initiated another complaint against the Bank and the same defendants before the Supreme Court of the State of New York. The complaint is for conversion, theft, misappropriation, aiding and abetting the same; conspiracy to commit the same; fraud (against the Bank); aiding and abetting and conspiracy to commit fraud; conspiracy to commit trespass against chattels; unjust enrichment; and return of money received. Bangladesh Bank was given until 7 April 2021 to serve summons and the new Complaint on the Bank and the defendants in accordance with the Hague Convention. On 11 January 2021, the Bank received a notice from the Regional Trial Court of Makati City together with the copies of the Summons and Complaint filed by Bangladesh Bank before the New York State Court. The Bank has since filed a Motion to Dismiss, submitting its Memorandum of Law on 8 February 2021.

Bangladesh Bank filed its Opposition to the Bank's Motion to Dismiss on 5 March 2021, and the Bank has since filed its Reply on 29 March 2021. The Bank has since received Bangladesh Bank's Memorandum in support of its Opposition to the Bank's Motion to Dismiss dated 5 March 2021.

After being given until 7 July 2021 within which to serve summons via email, Facebook, or LinkedIn on the unserved defendant officers of the Bank, Bangladesh Bank filed on the same date, its Memorandum of Law in support of its ex parte motion for additional time for process service/service by alternative means: (a) claiming that it needs additional time to submit its proof of service coming from the Philippine Central Authority, citing the ongoing lockdowns in the country; and (b) praying anew that it be allowed to serve the Summons/Complaint upon the unserved defendant officers of the Bank vis-à-vis the other defendants through their counsels of record in the related Philippine/US proceedings, or local publication and/or via email, Twitter, Facebook, LinkedIn and/or any similar social media communication platform. On 9 September 2021, the New York State Court granted the motion and gave Bangladesh Bank until 7 October 2021 to accomplish the same. No summons has been received since that date.

Meanwhile, on 26 July 2021, the Summons/Complaint intended for the unserved defendant Bank officers were served on the Bank itself, following Bangladesh Bank's service attempt on the former National Sales Director (NSD) via his LinkedIn account. On 13 August 2021, the former NSD filed his Memorandum of Law in support of his Motion to Dismiss, followed on 1 September 2021 by the filing of the Memorandum of Law of the other unserved defendant Bank officers in support of their own Motion to Dismiss, which similarly pointed out that (a) Bangladesh Bank failed to properly plead a conspiracy claim against them vis-à-vis the North Korean hackers; (b) the allegations against them (save in the case of the former Customer Service Head (CSH)) essentially suggest oversight; (c) nonetheless, the Complaint failed to allege any awareness of the link of the funds/their alleged actions/inactions to New York, or any benefit to them; (d) the special fact doctrine does not apply, as the Complaint also failed to state they were involved in the supposedly misleading message about the funds; and (e) the availability of an alternative forum.

On 17 and 30 September 2021, respectively, Bangladesh Bank filed its Memorandum of Law in support of its Opposition to the former NSD's Motion to Dismiss and a separate Memorandum of Law in Opposition to the Motion to Dismiss filed by the other defendant officers of the Bank. The Bangladesh Bank alleged matters that the defendants allege are not found in the complaint and made several claims that the defendants allege are factually unsupported, such as: (a) the former NSD's supposed role in Philrem's forex transactions; (b) the supposed decommissioning of the Bank's SWIFT printer to prevent the Bank's receipt of Bangladesh Bank's messages; and (c) the former CSH's supposed role in the transfer of funds in February 2016, which he had been acquitted of by the Makati Trial Court.

The New York State Court scheduled the hearing on the Bank's Motion to Dismiss on 14 October 2021. That hearing on the issue of lack of jurisdiction over the Bank and the individual Bank defendants due to among others the lack of any link between New York and the Bank or the individual Bank defendants and improper service of summons, proceeded on 14 October 2021. The Presiding Judge did not make any preliminary ruling and intimated that, given the complicated issues relating to jurisdiction, a quick Decision will not be forthcoming.

In a Decision and Order released on 14 January 2023, the New York State Court denied the Motions to Dismiss filed by the Bank and its current and previous employee defendants, ruling, among others, that: (a) it has jurisdiction over the case, as the Bank's mere act of maintaining correspondent accounts in New York is purportedly tantamount to conducting business in the said jurisdiction; (b) it is irrelevant that the Bank was not the entity which initiated the transfer of funds; (c) the New York State Court will properly focus on the theft which occurred in New York and not the laundering of the funds stolen; and (d) the location of the witnesses/documents favor New York.

Subsequently, the Bank, on 19 January 2023, filed its Notice of Appeal from the denial of its Motion to Dismiss. In the meantime, the Bank and the Banks' officers filed their respective answer within the extension period granted by the New York State Court. The Bank participated in the court-mandated mediation in May 2023, but the same failed and was terminated.

In a Decision and Order dated 29 February 2024, the Appellate Division, First Judicial Department of the Supreme Court of the State of New York (the Appeal Court) dismissed three causes of action (conversion, aiding and abetting conversion, and conspiracy to commit conversion) against the Bank and all RCBC defendants. The Appeal Court also dismissed the case against four RCBC defendants (Reyes, Capina, Agarrado and Pineda) for lack of personal jurisdiction. The Court ruled however, that the case can proceed against RCBC and the remaining defendants on the other causes of action.

The Bank, together with Lorenzo Tan and Raul Tan, filed on 12 April 2024, New York time, a request for leave to appeal to the New York Court of Appeals questioning the Court's recent decision that denied the dismissal of the case on *forum non conveniens* grounds which conflicts with Court of Appeals precedent.

The Bank received after the close of business on 13 June 2024 notice from counsel that the New York Appellate Division issued an order on 13 June 2024 denying the Bank's motion for leave to appeal on the issue of *forum non conveniens*. The case continued to proceed on the merits in the trial court. As directed by the New York State Court, the parties are currently availing themselves of the various modes of discovery, with a deadline of 7 May 2025. Thereafter, depositions are scheduled to commence on 12 May 2025.

The U.S. Court has likewise ordered Michael and Salud Baustista, Maia Deguito, and Angela Torres (collectively, the Defaulting Defendants) to answer the complaints filed against them. Failure to respond would result in a default judgment against them. Any adverse ruling against the Defaulting Defendants should not affect the Bank as a default judgment only establishes liability against the defaulting parties. Non-defaulting parties, such as the Bank, are entitled to litigate their defenses and will not be bound by any finding made in the default judgment.

Philippine Litigation relating to the BOB Incident

On 6 March 2019, the Bank and Ismael R. Reyes filed a complaint for injunction and damages against the Bangladesh Bank with the Makati City Regional Trial Court for: (a) the latter's repeated acts of defaming, harassing and threatening the Bank and Mr. Reyes, which is geared to damage their good name, reputation and image, and (b) making it appear that the Bank and Mr. Reyes were involved in the theft of the U.S.$81 million from its FRBNY bank account, and thus, had the legal obligation to pay/return the same. The main thrust of the complaint is that: (a) Bangladesh Bank lost the U.S.$81 million once the funds were transferred out of its FRBNY's bank account, and neither the Bank nor Mr. Reyes participated therein; and (b) despite this fact, the Bangladesh Bank has been making public claims that the Bank (and its officers, including Mr. Reyes) may have conspired with North Korean hackers to steal and launder the concerned funds to create negative publicity for the Bank.

In his Officer's Return dated 14 March 2019, the Court Sheriff of the Makati Trial Court reported that, on 12 March 2019, he personally served the summons and a copy of the complaint upon Mr. Abu Hena Mohammad Razeen Hasan, Deputy Governor of the Bangladesh Bank and Head of its Financial Intelligence Unit, who refused the same. The Court Sheriff thus left the summons and complaint in Mr. Hasan's presence on top of the table. The Bangladesh Bank filed a Return of Summons and Manifestation by Special Appearance contesting the propriety of the service of Summons, among others. Mediation conferences took place on 26 April, 15 May and 19 July 2019, after which the parties were referred back to the trial court.

At the status hearing on 14 February 2020, the Makati Trial Court directed the Bank to address the manifestations of the Bangladesh Bank via an appropriate pleading, and scheduled another status hearing on 20 March 2020. The Bank filed its Consolidated Counter-Manifestation on 24 February 2020, in compliance with the directive of the Makati Trial Court. Due to the COVID-19 pandemic, all the scheduled hearings beginning 19 March 2020 have been cancelled in compliance with the Supreme Court Administrative Circular No. 31-2020 dated 16 March 2020.

In an abrupt turn-around, the counsel for Bangladesh Bank belatedly filed a Motion to Dismiss dated 27 January 2021, but cited the same stale grounds struck-down by the Makati Trial Court. In its Consolidated Comment/Opposition, the Bank pointed this out and emphasized, among others, that: (a) the civil (not criminal) nature of the case negates any territorial consideration; (b) defamatory utterances do not fall automatically within the ambit of protected speech; and (c) the U.S. case cited relative to the forum-shopping charge has been dismissed. At the 30 July 2021 hearing conducted via video conferencing, the parties reiterated their previous arguments, with the Bank stressing that most of the arguments raised in Bangladesh Bank's Motion to Dismiss have already been ruled upon by the court in the Order dated 19 July 2019, which it has not been set aside and is therefore controlling. The Acting Presiding Judge stressed that Bangladesh Bank could have questioned the aforecited Order, even if it had not conceded to the jurisdiction of the court.

In its Order dated 18 October 2021, the Makati Trial Court denied Bangladesh Bank's Motion to Admit Attached Motion to Dismiss, ruling that: (a) the 19 July 2019 Order was never challenged via a motion for reconsideration, and therefore became final; (b) the court records reveal "a spectacular display of underhanded legal maneuvering" on the part of Bangladesh Bank's counsel; and (c) nonetheless, before Bangladesh Bank can be declared in default, the Bank should provide proof of service of the Motion to declare the aforementioned defendant in default. The Bank has since filed its Compliance with Manifestation dated 8 November 2021, attaching the Certification of the Philippine Postal Corporation dated 29 October 2021, indicating that a copy of the Motion to declare Bangladesh Bank in default was received by its counsel on 4 January 2021.

In its Order dated 30 June 2022, the Makati Trial Court further dismissed the case, holding that it did not properly acquire jurisdiction over Bangladesh Bank, as: (a) there is no provision in the 1997 Rules of Civil Procedure/2019 Amendments to the 1997 Rules of Civil Procedure covering the service of summons upon a foreign public corporation not doing business in the Philippines; and (b) the case does not fall under the rules where service can be done extra-territorially.

While the Makati Trial Court affirmed the ineffectual service of summons on Bangladesh Bank in its Resolution dated 31 May 2023, it nonetheless reinstated the case and, citing Sec. 13, Rule 14 of the 2019 Amendments to the 1997 Rules of Civil Procedure, directed the counsel of Bangladesh Bank to serve summons upon its client.

Bangladesh Bank filed a Motion for Clarification and a Motion for Reconsideration, both citing the earlier ruling of the Makati Trial Court in its Order dated 30 June 2022, and denying its counsel's ability to be deputized to serve summons. The Bank and the former NSD opposed both Motions, pointing out that: (a) dismissals on the ground of lack/improper service of summons are now prohibited, and Bangladesh Bank's counsel has been properly deputized to serve summons upon its client; (b) Rule 14 provides sufficient guidance on the modes of service that Bangladesh Bank's counsel can resort to; and (c) service of summons may be effected via electronic mail using Bangladesh Bank's publicly available email addresses.

At the 27 July 2023 hearing, the Makati Trial Court: (a) held that it will deal with the issue of immunity after ruling on Bangladesh Bank's Motion for Reconsideration; and (b) directed the parties to file their respective Memoranda on the issue of the service of summons. Both parties have since filed their Memoranda.

In the Resolution dated 11 October 2023, the Makati Trial Court denied Bangladesh Bank's Motion for Reconsideration. The Makati Trial Court held that, while there is no specific provision under the Rules of Court on how the deputized counsel may serve summons to his or her client, the fact that the deputized counsel has direct communication with his client means he may serve the summons in any manner provided under the rules that he may deem convenient.

Instead of appealing the resolution of the trial court, Bangladesh Bank filed a Memorandum of Authorities dated 7 December 2023 with the Court, a copy of which was received by the Bank on 19 February 2024. In an Order dated 27 February 2024, the Makati Trial Court held that the matter regarding Bangladesh Bank's state immunity is deemed submitted for resolution. As of the date of this Offering Circular, the Makati Trial Court has not issued a ruling on the pending matters.

Litigation involving the Bank's officers

Section 4(f) of AMLA

On 18 November 2016, the Anti-Money Laundering Council of the Philippines filed a criminal complaint against current and former officers of the Bank, including Ismael S. Reyes, Bridgette R. Capiña and Romualdo S. Agarrado, for violation of Section 4(f) of AMLA, in connection with the BOB Incident. In a Resolution dated 5 February 2018, the Philippine Department of Justice found probable cause against Reyes, Capiña, Agarrado and the other former officers of the Bank and filed the corresponding Information with the Makati Trial Court. After arraignment, pre-trial/trial ensued with the Prosecution concluding its prosecutorial action and making a tender of excluded evidence after a number thereof were held to be inadmissible. Subsequently, all the accused requested leave and filed their demurrer to evidence.

In a Resolution dated 26 December 2019, the Makati Trial Court granted the Demurrer to Evidence of three of the current/former employees and dismissed the case against them. The Makati Trial Court, however, declined to dismiss the case against the former Senior Customer Relationship Office (SCRO) and the former Customer Relationship Head (CSH) of the Makati Jupiter Business Center and directed the former SCRO/former CSH to present their evidence on 23 January 2020.

The Prosecution and former SCRO filed their respective Motion for Reconsideration on the Resolution dated 26 December 2019, which the Makati Trial Court denied. The aforesaid current/former employees have filed a Motion to Lift Hold Departure Orders, which the Makati Trial Court has yet to rule upon as of the date of this Offering Circular.

During the 23 January 2020 hearing, the Makati Trial Court granted the former CSH's oral motion to: (a) present his witness, and (b) have a trial separate from the former SCRO (whose Motion for Reconsideration was then still pending). The Prosecution assailed the separate trial ruling in its Motion for Reconsideration, arguing that this is contrary to the prior finding of unity of acts between the former CSH/the former SCRO.

On 11 March 2020, the Makati Trial Court denied the Prosecution's Motion for Reconsideration on the acquittal of the three current/former bank officers. The Prosecution appealed the Order of Denial of its Motion for Reconsideration via a Petition for Review with the Court of Appeals, where the same remains pending to date.

On 8 March 2021, the Makati Trial Court promulgated the Judgment: (a) acquitting the former CSH of the Makati Jupiter BC, for failure of the Prosecution to prove his guilt beyond reasonable doubt; and (b) finding the former SCRO guilty beyond reasonable doubt of the offense charged, and sentencing her to suffer imprisonment of four to five years, and directing her to pay a fine of ₱1.5 million. The former SCRO was granted provisional liberty pending appeal.

Acting on the criminal complaints filed by the Bank and the Centurytex Trading account owner in connection with the unauthorized acts/transactions relating to the money-laundering of U.S.$81 million, the Office of the City Prosecutor of Makati City found probable cause to charge former Branch Manager Maia Deguito (BM Deguito) and the former SCRO with several counts of falsification of commercial document and perjury, respectively, before the Metropolitan Trial Court of Makati City (Makati MTC).

On account of the death of the Centurytex Trading account owner, the Prosecution in the falsification of commercial document cases sought to present the bank teller who processed the questioned transactions in February 2016, which former BM Deguito opposed. In a Resolution dated 28 February 2020, the Makati MTC denied the Prosecution's aforesaid motion and directed the Heirs of the Centurytex Trading account owner to present their evidence. The Prosecution sought the reconsideration of this Resolution, which former BM Deguito belatedly opposed in her Comment dated 11 March 2021. At 4 May 2021 hearing held via video conferencing, the Makati MTC: (a) noted the filing of the Prosecution's Motion to expunge former BM Deguito's Comment, and deemed the matter submitted for resolution; (b) clarified the date of filing of the Prosecution's Formal Offer of Evidence; and (c) set the case for hearing via video conferencing on 5 and 19 October 2021, and 9 November 2021, still for the Prosecution's presentation of evidence.

The trial before the Makati MTC hearing the perjury case against the former SCRO, which grounded to a halt due to the COVID-19 pandemic, resumed on 18 February 2021 with the presentation of the Internal Auditor who conducted the investigation/audit of the Makati Jupiter Business Center. The Prosecution then rested its case and filed its Formal Offer of Evidence on 5 March 2021. The 17 June 2021 hearing for the former SCRO's initial presentation of evidence which had been continued to 12 and 26 August 2021 did not push through on account of the suspension of work in the courts because of the surge in COVID-19 Delta variant cases. The Makati MTC has since admitted the Prosecution's Formal Offer of Evidence, and set the former SCRO's initial presentation of evidence on 19 April 2022.

The Bank has several petitions for review currently pending in relation to actions that it has initiated against former Bank employees in relation to the BOB Incident. There are no known trends, demands, and commitments, events, or uncertainties that will have a material impact on the Bank's operational performance and ability to service obligations

The Prosecution, through the Office of the Solicitor General (OSG), appealed the acquittal Order and the Denial of its Motion for Reconsideration to the Court of Appeals via a Petition for Certiorari. In its Decision dated 14 July 2023, the Court of Appeals denied the aforecited Petition, holding that: (a) the grant of a demurrer to evidence amounts to an acquittal and double jeopardy has already set in, in the case of the three current/former bank officers; and (b) the Makati Trial Court did not commit any grave abuse discretion, as it correctly held that (1) the three current/former bank officers only found out about Bangladesh Bank's stop payment order and the purported nature of the U.S.$81 million after the bulk of the funds had already been moved out of the four RCBC accounts; (2) the conduct of Enhanced Due Diligence (EDD) after the fact would have been futile; and (3) assuming EDD was conducted, the Bank has no authority to freeze the accounts absent a Freeze Order which only the AMLC could petition for.

The OSG elevated the matter to the Supreme Court via a Petition for Review on Certiorari, claiming that the Court of Appeals gravely erred in denying the Prosecution's Petition for Certiorari.

On 25 March 2025, the Bank received a copy of the Supreme Court's Resolution dated 13 November 2024, which denied the Prosecution's Petition for Review on Certiorari and affirmed the ruling of the Court of Appeals.

Falsification of Commercial Document and perjury

Acting on the criminal complaints filed by the Bank and the Centurytex Trading account owner in connection with a series of unauthorized acts/transactions relating to the money-laundering of U.S.$81 million, the Office of the City Prosecutor of Makati City found probable cause to charge former branch manager Maia Deguito and the former SCRO Angela Torres with several counts of falsification of commercial document and perjury, respectively, before the Metropolitan Trial Court of Makati City (Makati MTC). Due to the death of the Centurytex Trading account owner, on 15 October 2019, the Prosecution, in the falsification of commercial document cases, signified its intention to present the bank teller who processed the questioned transactions on 5 February 2016 which former branch manager Maia Deguito opposed. The Makati MTC issued a Resolution denying such request following which the Prosecution filed its Motion for Reconsideration dated 16 March 2020. In a Resolution dated 28 February 2020, the Makati MTC denied the Prosecution's aforesaid motion and directed the Heirs of the Centurytex Trading account owner to present their evidence. However, acting favorably on the Prosecution's Motion for Reconsideration in its Order dated 5 October 2021, the Makati MTC heard the testimony of the bank teller on 3 March 2022. The Makati MTC likewise granted the Motion of the Heirs of the Centurytex Trading account owner to separately present the bank teller as their witness, over the objection of the Defense counsel.

The Makati MTC hearing the perjury case against the former SCRO rejected the attempt of the latter to recall/cross-examine a Prosecution witness. On 13 March 2020, the Prosecution filed the Judicial Affidavit of Mr. Jose G.

Villapando, the custodian of the official records of the Senate of the Philippines, in connection with the introduction into evidence of the Transcript of Stenographic Notes dated 15, 17 and 29 March 2016 of the Committee on Accountability of Public Officers and Investigation (Blue Ribbon Committee), where the now deceased Centurytex Trading account owner, among others, testified under oath that he had no participation in any of the transactions that transpired thereat – contrary to what is stated in the sworn statement of the former SCRO. In a Decision dated 23 May 2024, the Makati MTC found Torres guilty beyond reasonable doubt of the crime of perjury.

The Bank and the Heirs of William Go filed criminal complaints for Falsification of Commercial Documents against Deguito. The Bank and Heirs of William Go, through their respective counsels, have filed their Formal Offer of Evidence, the resolution of which is still pending. On the other hand, Deguito has asked the trial court to give her additional time to secure the services of a new counsel since her previous counsel, Custodio Acorda Sicam Castro & Panganiban Law Offices, has filed a Withdrawal of Appearance on 19 February 2024. The trial court granted her request but held that if Deguito still fails to secure a counsel for the next scheduled hearing, the same would amount to a waiver of her right to present evidence. In the Entry of Appearance (With Urgent Motion to Reset Hearing) dated 12 September 2024, F.F. Tacardon Law Offices formally entered their appearance as counsel for Deguito. On 12 November 2024, Deguito filed an Omnibus Motion (to Admit Supplemental Judicial Affidavit and Request for the Issuance of a Subpoena Duces Tecum and Ad Testificandum). On 24 November 2024, the Bank filed a Comment/Opposition to Deguito's Omnibus Motion.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which, if decided adversely, would have a material effect on its financial position or operating results.

Fraud Complaint against the Former and Present Directors of the Bank

A fraud complaint (the Complaint) was filed by Inang Nag-aaruga sa Anak Foundation and other complainants (the Complainants) for unsafe and unsound banking practice, in violation of Section 56 of R.A. No. 8971, the General Banking Law of 2000, in relation to Section 37 of R.A. No. 7653, The New Central Bank Act, as amended, against the former and present directors of the Bank in connection with the alleged fraudulent scheme carried out by the Bank's branch manager Liza P. Arzaga (Arzaga) who vanished along with customers' investment in 2018.

This is an administrative case against several former/current directors of the Bank for unsafe and unsound banking practice, in violation of Section 56 of R.A. No. 8971, the General Banking Law of 2000, in relation to Section 37 of R.A. No. 7653, The New Central Bank Act, as amended.

In a Resolution dated 20 August 2021, duly approved by the BSP Governor, the BSP's Office of the General Counsel and Legal Services (the OGCLS) dismissed the Complaint against the former/current directors of the Bank, ruling that: (a) its jurisdiction is limited to determining the administrative liability of the Bank's directors and officers, so the Resolution will not tackle the possible administrative and/or civil liability of the Bank; (b) the complainants failed to allege/prove by competent evidence any specific act/omission which is tantamount to conducting the business of banking in an unsafe and unsound manner, or that the Bank operated with inadequate internal controls and subscribed to policies/practices detrimental thereto and jeopardised the safety of its deposit; (c) the Bank immediately acted on the request of the complainants to restitute their valid investments with the Bank; and (d) the products in question are not legitimate products of the Bank and the monies that funded these did not enter the Bank's system, so that the denial of the Complainants' demand for payment had basis, which has not been refuted. However, it was endorsing for investigation the possible administrative liability of the Bank for failing to detect the activities of respondent Arzaga for seven years, to the Financial Supervision Sector of the BSP. The case was likewise dismissed against the now deceased director of the Bank, but archived insofar as respondent Arzaga is concerned for lack of jurisdiction over her person.

The Complainants filed their Motion for Partial Reconsideration dated 22 September 2021 with the Monetary Board, which the former/current directors opposed, essentially pointing out that: (a) the arguments in the Motion for Reconsideration are rehashed and should be summarily denied; (b) the Complainants' claim that they should not be burdened with the task of proving the alleged violation is an implied admission that they do not have any cause of action against the former/current directors; (c) all the transactions in issue, which showed several and clear badges of fraud that should have warned the Complainants about their irregularity, were all entered into with respondent Arzaga, and no other employee/director of the Bank; and (d) the manner by which the complainants transacted with respondent Arzaga shows that these were intended to bypass the Bank's normal controls, which appear to be part and parcel of the scheme to circumvent banking laws/regulations.

In a Resolution dated 22 October 2021, duly approved by the BSP Governor, the BSP's OGCLS denied the Complainants' Motion for Partial Reconsideration for lack of merit.

On 2 December 2021, the Bank received the Complainant's Petition for Review filed before the Court of Appeals, claiming that the BSP's OGCLS committed grave and serious error in dismissing their Complaint and denying their Motion for Partial Reconsideration. In a Resolution dated 23 February 2022, the Court of Appeals, among others, directed the former/current respondent Bank Directors to file their Comment within ten days from notice. The former/current respondent Bank Directors timely filed their request for extension of time to file the required pleading.

In a Decision dated 28 February 2023, the Court of Appeals affirmed the ruling of the BSP-OGCLSIPG, holding that: (a) the said agency can only rule on the respondents' individual administrative liability and has no authority to direct the return of Petitioners' investments/award them civil damages; (b) the Petitioners failed to cite both the specific actions/omissions allegedly committed by the respondents and the bank policies supposedly not in place/improperly implemented; (c) the Bank's refusal to pay the claim based on the falsified Malayan Leasing Promissory Notes (PNs) was justified as no money flowed in the Bank's system in relation to these; and (d) it is the payment of the falsified Malayan Leasing PNs which would cause the substantial dissipation of the assets/earnings of the Bank, seriously weaken its condition, or otherwise prejudice the interest of its depositors, investors or clients.

In response to the Petitioners' Motion for Partial Reconsideration, the respondent current/former Bank Directors, in their Comment dated 15 June 2023, reiterated that there is no basis to hold them administratively liable, as: (a) Petitioners failed to identify with particularity the RCBC policies that were allegedly not in place/improperly implemented; (b) Petitioners failed to prove the existence of unlawful acts, negligence or bad faith on their part; (c) Petitioners ignored basic banking practices, which would have prevented the fraud allegedly committed against them, such as only handing their money to an RCBC teller for counting; (d) Petitioners allowed their alleged placements to be booked in dummy accounts of fictitious persons, which is indicative of money laundering; (e) the Bank was justified in refusing to pay Petitioners' claim arising from the fake/falsified Malayan Leasing PNs; and (f) it is the payment to Petitioners of the amount of ₱285 Million, based on dubious documents, which will result in unsafe and unsound banking practice.

In a Resolution dated 20 November 2023, the Court of Appeals denied Petitioners' Motion for Partial Reconsideration, as the Motion did not raise any new averments. In July 2024, the Bank received a copy of a Petition for Review dated 8 January 2024 filed by the Complainants before the Supreme Court. At present, the Bank is awaiting the Supreme Court's action on the said Petition for Review.

Regulatory Actions Involving the Bank

In August 2016, a special examination by the BSP, as a result of the Bangladesh Bank Incident concluded that the Bank had conducted business in an unsafe or unsound manner by operating with a grossly inadequate money laundering and terrorist financing prevention risk management and control framework. The Monetary Board approved the imposition of supervisory action on the Bank to pay a monetary penalty in the amount of ₱1.0 billion in relation to the completed special examination. Additionally, the Monetary Board imposed a number of restrictions on the Bank's activities and permanent requirements designed to strengthen the Bank's corporate governance and improve the Bank's prompt corrective action framework. Temporary restrictions imposed on the Bank by the BSP included a stay on the approval of any new branch licence requests, a prohibition against the expansion of the Bank's money service businesses through new relationships and a prohibition against any new wire transfer or remittance-related products and services until further notice by the BSP.

The BSP concluded its oversight examination of the Bank in May 2018. Based on this examination, the BSP removed the Bank's prompt corrective action status and consequently, lifted a majority of the temporary restrictions that were imposed in 2016.

The Bank was directed by the Monetary Board to execute and submit its letter of commitment to document its action plan covering the following areas:

(a) measures to ensure compliance with restrictions on establishing new additional money service business relationships and the opening of accounts outside branch premises;
(b) enhancement of bank-wide money service business risk management system;
(c) improvements to the online gaming business risk management system;

(d) effective implementation of internal control policies such as job rotation and separation of sales and service functions, and conduct of additional due diligence procedures on unusual wire transfer transactions; and
(e) strengthening of controls on transactions performed outside Bank premises which are also aimed at preventing or mitigating fraudulent schemes which heighten exposure to money laundering and terrorist financing risk.

In October 2018, the Bank submitted its letter of commitment to the Monetary Board. The Bank believes that the specific action plans submitted will not only address the supervisory issues raised by the BSP in a satisfactory manner but will also enhance the Bank's thrust to sustain its safe and reliable banking operations.

Capital Expenditure

The Bank's planned capital expenditures in 2025 is ₱3 billion, primarily aimed at upgrading and expanding the Bank's existing technology, software and hardware and strengthening its digital banking capabilities and information technology security.

The Bank's capital expenditures for the years ended 2022, 2023 and 2024 were ₱1.96 billion, ₱4.10 billion and ₱1.91 billion, respectively. The Bank's primary capital expenditures during 2022, 2023, and 2024 were mainly invested in computer equipment and software, core bank system upgrades and branch-related upgrades.

Subsidiaries and Associates

Universal banks in the Philippines, such as the Bank, may invest in the equity of banking related companies or "allied undertakings". Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies, and financial institutions catering to SMEs.

A publicly-listed universal or commercial bank in the Philippines may own 100% of the voting stock of only one other commercial bank. Such universal or commercial bank may only have ownership in additional commercial banks as a minority shareholder. A universal bank may also own up to 100% of the voting stock of thrift banks and rural banks, and generally up to 100% of other financial and non-financial allied undertakings. Prior Monetary Board approval is required for investments in allied and non-allied undertakings.

The total investments in equities of allied and non-allied enterprises shall not exceed 50% of the net worth of the Bank, subject to the further requirement that the equity investment in one enterprise shall not exceed 25% of the net worth of the Bank.

The Bank's subsidiaries are as follows:

RCBC Capital Corporation

RCBC Capital, a 99.96% owned subsidiary of the Bank, was established in 1974. RCBC Capital is the investment banking subsidiary of the Bank. It offers a complete range of investment banking and financial consultancy services which include: (i) the underwriting of equity, quasi-equity and debt securities on a firm or best efforts basis for private placement or public distribution; (ii) the syndication of foreign currency or Peso loans; and (iii) financial advisory services. For the year ended 31 December 2024, RCBC Capital's net income amounted to ₱348.59 million compared to ₱199.47 million for the year ended 31 December 2023.

RCBC Securities, Inc.

RCBC Securities, Inc. (RCBC Securities) a wholly-owned subsidiary of RCBC Capital, is engaged in the electronic and traditional trading of listed securities and in providing corporate and market research. For the year ended 31 December 2024, RCBC Securities' net loss amounted to ₱34.11 million compared to ₱2.24 million net income for the year ended 31 December 2023.

RCBC Bankard Services Corporation

RCBC Bankard Services Corporation (RCBC Bankard), a wholly-owned subsidiary of RCBC Capital, is engaged in providing services to the credit card and personal loans business of the Bank. Until December 2006, the Bank conducted its credit card operations through Bankard. Beginning in 2007, Bankard has serviced the credit card business and operations of the Bank. The Board of Directors, in its special meeting held on 18 October 2013, approved the sale to Philippine Business Bank Trust and Investment Centre on behalf of various clients of the Bank's and RCBC Capital's 90% stake in Bankard, Inc. As part of the condition for the sale, all existing credit card operations of Bankard, Inc. were assigned and absorbed indirectly by the Bank, though RCBC Capital.

For the year ended 31 December 2024, RCBC Bankard's net income amounted to ₱53.08 million compared to ₱28.96 million for the year ended 31 December 2023.

RCBC Forex Brokers Corporation

RCBC Forex Brokers Corporation (RCBC Forex), a wholly-owned subsidiary of the Bank, was incorporated in 1998. RCBC Forex is engaged in dealing and brokering currencies in foreign exchange contracts with local and international clients. For the year ended 31 December 2024, RCBC Forex's net income amounted to ₱8.88 million compared to ₱6.99 million for the year ended 31 December 2023.

RCBC Microbank, Inc.

RCBC Microbank, Inc. (RMB), a wholly-owned subsidiary of the Bank, is a thrift bank and was acquired by the Bank on 15 May 2008 to engage in micro-financing and development of small businesses. As of 31 December 2024, RMB had 16 microfinance lending branches and 10 branch lite units, with operations in Southern Luzon and Mindanao. Its head office and head office branch were moved from Makati City to Davao City in April 2011. For the year ended 31 December 2024, RMB's net income amounted to ₱4.15 million compared to ₱3.10 million for the year ended 31 December 2023. While the interest rates remained high in 2024, RMB managed a 32.09% year-on-year growth in interest income from the year ended 31 December 2023.

RCBC International Finance Limited

RCBC International Finance Limited (RCBC IFL), a wholly-owned subsidiary of the Bank, was established in 1979 and is the Bank's overseas subsidiary in Hong Kong. RCBC IFL is primarily engaged in the remittance business. For the year ended 31 December 2024, RCBC IFL's net loss amounted to ₱11.63 million compared to ₱7.57 million loss for the year ended 31 December 2023. RCBC Investments Limited, wholly-owned subsidiary of RCBC IFL, is a Hong Kong company established in 1990 primarily engaged in the remittance business.

RCBC-JPL Holding Company, Inc.

RCBC JPL Holding Company, Inc. (RCBC-JPL), a subsidiary of the Bank formed in 2012, is primarily engaged in the disposition of the assets of its predecessor, Pres. Jose P. Laurel Rural Bank, Inc. which the Bank acquired in February 1999. On 8 April 2024, the Bank and its Retirement Fund executed a Deed of Donation and Acceptance where the Bank donated and transferred ownership of 36,612,373 Preferred C shares representing 19.41% of the outstanding capital of RCBC-JPL. Subsequent to the donation, RCBC's ownership over RCBC-JPL was at 80.00% as of 31 December 2024. For the year ended 31 December 2024, RCBC-JPL's net loss amounted to ₱0.42 million compared to ₱0.42 million net loss for the year ended 31 December 2023.

RCBC Leasing and Finance Corporation

RCBC Leasing and Finance Corporation (RCBC LFC), a 99.67% owned subsidiary of the Bank, was acquired by the Bank on 28 March 2012. RCBC LFC is a non-bank financial institution with a quasibanking license granted by the BSP, serving corporate and commercial clients and consumers in the financing industry. Its wholly-owned subsidiary, RCBC Rental Corporation, is in the business of renting and leasing equipment and machinery. RCBC LFC is a non-bank financial institution with a quasibanking license granted by the BSP, serving corporate and commercial clients and consumers in the financing industry and its wholly-owned subsidiary, Malayan Rental Corporation (now known as RCBC Rental Corporation), is in the business of renting and leasing equipment and machinery. For the year ended 31 December 2024, RCBC LFC's net income amounted to ₱13.22 million compared to a ₱164.96 million net loss for the year ended 31 December 2023.

Additionally, as a universal bank, RCBC has equity investments in various industries which are vital to the country's economic growth and which also serve the purpose of diversifying the Bank's sources of income. Among these are Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corporation.

RCBC Trust Corporation

RTC is a 40% owned subsidiary of the Bank. RTC was officially incorporated on 29 June 2023 and started its operations on 2 January 2024. This was a spin-off from the trust operations from the Bank into a separate corporate entity by establishing a standalone trust corporation in accordance with the Manual of Regulations for Non-Bank Financing Institutions.

Before the spin-off, RCBC TIG had an established track record in trust and asset management. As of 31 December 2023, the Bank's trust assets amounted to ₱155.71 billion and ranked seventh among local and foreign trust entities doing business in the Philippines, based on published statements of financial position. Trust, investment management and other fiduciary accounts continued to account for the bulk of the Bank's trust arrangements. These consisted of retirement funds, institutional trust funds, pre-need accounts, personal trusts and investment management arrangements, which accounted for 40.0% of total trust assets as of 31 December 2023. The balance consists of the volume of pooled funds. The Bank offers its trust products to corporate and institutional investors as well as to high-net-worth individuals and retail investors requiring low minimum thresholds.

The Board of Directors approved the spin-off of RCBC TIG to a standalone trust corporation RTC, incorporated on 29 June 2023. This was an opportunity for RTC to increase its AUM by offering more investment options which other trust entities may not be able to do due to regulatory restrictions.

RTC started operations on 2 January 2024. On the same day, RTC received net assets from the Bank amounting to ₱128 million and assumed assets under management valued at ₱155,703 million from the Bank. These trust department accounts are maintained in separate books and records in accordance with the Financial Reporting Package for Trust Institutions (FRPTI) prescribed by the BSP. For the year ended 31 December 2024, RTC's net income amounted to ₱116.92 million.

Frame Properties Inc.

On 25 July 2022, the Board of Directors approved the transfer/contribution of 119 of the Bank's real estate properties to a subsidiary to be incorporated by the Bank (later incorporated as Frame Properties, Inc., Frame). In March 2023, the Bank received the digital Certificate of Incorporation of Frame from the Securities and Exchange Commission. Subsequently, the Bank contributed/transferred its shares in Frame to the RCBC Employees' Retirement Fund, through its trustee, RCBC TIG.

The transfer of the 119 real estate properties resulted in a gain for the Bank. The contribution of the shares of Frame settled the past service liability, increased and diversified the assets of the RCBC Retirement Fund and contributed in advance the annual normal contributions to the fund.

RISK MANAGEMENT AND COMPLIANCE

The Bank is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Bank's objectives in risk management are to ensure that it identifies, measures, monitors and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures and control systems that are established to address these risks.

A committee system is a fundamental part of the Bank's process of managing risk. The five committees of the Board of Directors relevant in this context are:

- the Executive Committee, which meets weekly, has the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between Board of Directors meetings. It may also consider and approve loans and other credit related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition losses of impaired assets;
- the Risk Oversight Committee (**ROC**), which meets monthly, carries out the Board of Directors' oversight responsibility for the capital adequacy and risk management strategy of the Bank and its subsidiaries and actions covering credit, market and operational risks under Pillar I of the Basel framework as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process. Risk limits are reviewed and approved by the ROC;
- the Audit and Compliance Committee (**ACC**), which meets monthly, reviews the results of the internal audit examinations and recommends remedial actions to the Board of Directors as appropriate. The ACC also performs oversight functions over the Regulatory Affairs Group on matters such as compliance risk assessment, annual testing work plan, compliance breaches, and other regulatory issues;
- the Related Party Transactions (**RPT**) Committee, which meets monthly and as necessary, reviews proposed RPT within the materiality threshold to determine whether or not the transaction is on terms no less favourable to the Group than terms available to any unconnected third party under the same or similar circumstances. On favourable review, the RPT Committee endorses transactions to the Board of Directors for approval; and
- the Anti-Money Laundering (**AML**) Committee, which meets monthly, oversees the implementation of the Bank's AML and terrorist financing prevention programme, and ensures that Money Laundering/Terrorist Financing risks are effectively managed. It also ensures that infractions are immediately corrected, issues are addressed, and AML training for officers and staff are conducted.

Four senior management committees (together, the **Senior Management Committees**) also provide a regular forum to take up risk issues:

- the Credit and Collection Committee, chaired by the Chief Executive Officer and composed of the heads of credit risk-taking business units and the head of credit risk management, meets weekly to review and approve credit exposures within its authority. It also reviews plans and progress on the resolution of problem loan accounts;
- the Asset and Liability Committee (**ALCO**), chaired by the Treasurer of the Bank with the participation of the Chief Executive Officer and key business and support unit heads, meets weekly to appraise market trends and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk and trading and investment portfolio decisions. It sets prices and rates for various asset and liability and trading products, in light of funding costs, competition and other market conditions. It also receives confirmation that market risk limits (as described below) are not breached, or if breached, provides guidance on the handling of relevant risk exposure, between ROC meetings;
- the Related Party Transactions Management Committee comprises the group heads of the business units as specified in the charter or their respective delegates. It meets monthly to review and approve proposed RPT within the materiality threshold for the purpose of determining whether or not the transaction is on terms no less favourable to the Bank than terms available to any unconnected third party under the same or similar circumstances unless the transaction requires Board of Directors' approval. On favourable review, it endorses the transaction for the Board of Directors' confirmation; and

- the Anti-Money Laundering Management Committee, which meets weekly, evaluates the unusual/suspicious transaction reported by the different bank units to determine the filing of Suspicious Transaction Reports to the Anti-Money Laundering Council. The committee comprises the Chief Compliance Officer as the chairperson and presiding officer and the heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Risk Management Group or their duly appointed designates, as members, and AML Monitoring and Reporting Division (**AMRD**) as the rapporteur. The AMRD, through the Chief Compliance Officer, reports its monthly activities (including the AML Management Committee meetings) to the Board of Directors' AML Committee.

The Risk Management Group (**RMG**) and the Credit Management Group (**CMG**) support the ROC. The risk management groups are responsible for overseeing the risk-taking activities across the Group, as well as evaluating whether these remain consistent with the Bank's risk appetite and strategic direction. The risk management groups are responsible for identifying, measuring, assessment, mitigation, monitoring, and reporting risk on an enterprise-wide basis.

RMG is independent of all risk-taking business segments and reports directly to the ROC. It participates in ALCO meetings. CMG, on the other hand, assists the risk-taking business segments, by providing the necessary credit support. CMG participates in all Credit and Collection Committee meetings.

Liquidity Risk Management

Liquidity risk is the potential insufficiency of funds available to adequately meet the demands of the Bank's customers to repay maturing liabilities. The Bank manages liquidity risk by limiting the maturity mismatch between assets and liabilities and by holding sufficient liquid assets of appropriate quality and marketability.

The Bank's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity. The main sources of the Bank's funding are capital, core deposits from retail and commercial clients and wholesale deposits. The Bank also maintains a portfolio of readily marketable securities to further strengthen its liquidity position. The Bank's liquidity policies and procedures are set out in its Funding and Liquidity Plan.

As of 31 December 2023 and 31 December 2024, the Bank's total portfolio represented by loans with remaining maturities of one year or less were 11.01 % and 9.93 %, respectively. As of 31 December 2024, the Bank's gross trading and investment securities portfolio amounted to ₱429.09 billion and ₱124.5 billion or 29.01% of such trading and investment securities had remaining maturities of one year or less. The Bank's trading and investment securities account includes securities issued by sovereign issuers, primarily Government treasury bills, fixed rate treasury notes and floating rate treasury notes, and foreign currency denominated bonds issued by the Government.

Other resources include amounts due from the BSP, amounts due from other banks and loans arising from repurchase agreements which accounted for 12.26%, 1.20% and 2.89%, respectively, of the Bank's total resources as of 31 December 2023 and 8.47%, 1.07% and nil, respectively, of the Bank's total resources as of 31 December 2024. Deposits with banks are made on a short-term basis with almost all being available on demand or within one month.

The primary responsibility of managing liquidity risk lies with the ALCO, which disseminates its liquidity strategy across all business units within the Bank that conduct activities that impact liquidity. ALCO's primary responsibilities include:

- ensuring that the Bank and its legal vehicles maintain adequate liquidity, sufficient capital and the appropriate funding to meet all business requirements and comply with all regulatory requirements;
- building a stable funding structure by managing the long-term profiles of the Bank's asset and liability maturities (the structural gap);
- managing the balance sheet and ensuring that the strategies are in accordance with adequate liquidity, capital and diversified funding;
- determining asset/liability pricing consistent with the strategies for the balance sheet; diversifying the funding of each legal vehicle of the Bank by source, maturity, instrument and currency;
- implementing policies of the Board of Directors on all issues that affect capital, funding or liquidity; and

- informing the Board of Directors regularly of the liquidity situation of the Bank and informing the Board of Directors immediately if there are any material changes in the Bank's current or prospective liquidity position.

ALCO measures liquidity risk by assessing all of its cash inflows against its outflows to identify the potential for any net shortfalls going forward, including funding requirements for off-balance-sheet commitments. The Bank's core measure of liquidity, the maximum cumulative outflow is defined as the amount of prospective funding that the Bank will require at pre-specified future dates in normal operating requirements and measures the liquidity gap between maturing liabilities and assets. The maximum cumulative outflow limit is proposed by the Treasurer and RMG, reviewed by the Risk Oversight Committee and approved by the Board of Directors.

To ensure that the Bank has sufficient liquidity at all times, the Bank's Treasurer and RMG formulate a contingency plan using extreme scenarios of adverse liquidity and evaluates the Bank's ability to withstand these prolonged scenarios. The contingency plan focuses on the Bank's strategy for coordinating managerial action during a crisis and includes procedures for making up cash flow shortfalls in adverse situations. The plan details the amounts of funds (such as unused credit facilities) the Bank has available to it and the scenarios under which it could use them.

The following table sets forth the asset/liability gap position for the Bank's operations on a consolidated basis as of 31 December 2023:

(in ₱ millions)	**One to three months**	**Three months to one year**	**One to five years**	**More than five years**	**Non-Maturity**	**Total**
Resources						
Cash and cash equivalents	190,847	1,502	1,727	1	56,031	250,108
Investments — net	9,989	3,818	112,095	201,914	2,926	330,742
Loans and receivables — net	38,995	29,486	153,155	151,395	249,118	622,149
Other resources— net	7,716	6,507	1,100	1,354	18,656	35,333
Total Resources	**247,547**	**41,313**	**268,077**	**354,664**	**326,731**	**1,238,332**
Liabilities						
Deposit liabilities.............................	184,137	15,725	22,859	7	733,984	956,712
Bills payable	42,698	2,293	4,349	396	1,122	50,858
Bonds payable...................................	-	30,809	4,130	-	-	34,939
Other liabilities	12,833	16,507	297	411	13,500	43,548
Total liabilities	239,668	65,334	31,635	814	748,606	1,086,057
Equity	-	-	-	-	**152,275**	**152,275**
Total liabilities and equity	239,668	65,334	31,635	814	900,881	1,238,332
On-book gap	**7,879**	**(24,021)**	**236,442**	**353,850**	**(574,150)**	-
Cumulative on-book gap	**7,879**	**(16,142)**	**220,300**	**574,150**	-	-
Contingent resources	76,611	29,133	80	42,460	-	148,284
Contingent liabilities	101,928	30,155	81	44,371	-	176,535
Off-book gap	**(18,478)**	**(49)**	-	-	-	**(18,527)**
Cumulative off-book gap	**(18,478)**	**(18,527)**	**(18,527)**	**(18,527)**	**(18,527)**	-
Periodic gap	**(10,599)**	**(24,070)**	**236,442**	**353,850**	**(574,150)**	**18,527**
Cumulative total gap	**(10,599)**	**(34,669)**	**201,773**	**555,623**	**(18,527)**	-

The following table sets forth the asset/liability gap position for the Bank's operations on a consolidated basis as of 31 December 2024:

(in ₱ millions)	One to three months	Three months to one year	One to five years	More than five years	Non-Maturity	Total
Resources						
Cash and cash equivalents	117,757	742	1,885	15,474	49,541	185,369
Investments — net	110,320	12,674	122,724	181,941	1,427	429,086
Loans and receivables — net	39,475	31,072	185,464	170,919	283,000	709,930
Other resources— net	8,225	6,894	1,675	820	18,154	35,768
Total Resources	**275,777**	**51,382**	**311,718**	**369,514**	**352,122**	**1,360,153**
Liabilities						
Deposit liabilities...	224,180	15,023	30,570	289,649	463,372	1,022,794
Bills payable	57,801	9,073	17,022	648	2,072	86,616
Bonds payable.................................	-	-	26,935	-	-	26,935
Other liabilities	12,850	38,798	1,093	-	12,576	65,317
Total liabilities	294,831	62,894	75,620	290,297	478,020	1,201,662
Equity	-	**14,463**	-	-	**144,028**	**158,491**
Total liabilities and equity	294,831	77,357	75,620	290,297	622,048	1,360,153
On-book gap	**(19,054)**	**(25,975)**	**236,098**	**78,857**	**(269,926)**	-
Cumulative on-book gap	**(19,054)**	**(45,029)**	**191,069**	**269,926**	-	-
Contingent resources	59,188	12,687	-	28,995	-	100,870
Contingent liabilities	85,349	12,944	-	29,478	-	127,771
Off-book gap	**(26,161)**	**(257)**	-	**(483)**	-	**(26,901)**
Cumulative off-book gap	**(26,161)**	**(26,418)**	**(26,418)**	**(26,901)**	**(26,901)**	-
Periodic gap	**(45,215)**	**(26,232)**	**236,098**	**78,374**	**(269,926)**	**(26,901)**
Cumulative total gap	**(45,215)**	**(71,447)**	**164,651**	**243,025**	**(26,901)**	-

Interest Rate Risk Management

The Bank follows a policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. The Bank's risk measurement system incorporates different risk factors for different categories of instruments (e.g. fixed income or money market) within each currency where the Bank holds interest rate sensitive positions.

ALCO meets at least weekly to set rates for various asset and liability and trading products. In pricing interest rates, foreign exchange and fee-based products, ALCO considers funding costs, market conditions, transaction volume, competitor's rates, among others, when pricing interest rates, foreign exchange and fee based products.

A majority of the Bank's total loan portfolio is on a floating rate based on an internal cost of funds. The spread varies for various types of loans and credit quality. Loan rates and the bulk of the deposit liabilities which are in special savings accounts are reset every 30 to 90 days. Hence, exposure to interest rate fluctuations is significantly reduced. No interest is paid on certain current accounts, while regular savings accounts earn a fixed rate between 0.15% to 0.45% per annum, applied to Dragon Savings and Super Earner Savings Deposits depending on the amount of deposit.

The Bank employs a "gap analysis" to measure the interest rate sensitivity of its assets and liabilities. The asset/liability gap analysis measures, for any given period, any mismatch between the amounts of interest earning assets and interest bearing liabilities which would re-price, during that period. If there is a positive gap, there is asset sensitivity, which generally means that an increase in the interest rates would have a positive effect on the Bank's net interest income. If there is a negative gap, this generally means that an increase in the interest rates would have a negative effect on the Bank's net interest income.

Credit Risk Management

Credit risk is the risk that the borrower, issuer or counterparty in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Bank. The Bank manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Enterprise Risk division of RMG assists senior management: (a) to establish risk concentration limits accepted at the level of the single borrower, related borrower group, industry segments, and sovereign jurisdiction; and (b) to continuously monitor the actual credit risk portfolio from the perspective of those limits and other risk management objectives. The Credit Management Group (**CMG**), on the other hand, is responsible for: (i) the development of credit policies relating to account management; (ii) the financial evaluation and credit risk rating of borrowers; and (iii) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits is effectively exercised collectively; (b) business centre managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and (d) borrower credit analysis is performed at origination and at least annually thereafter.

The Bank primarily uses an internal credit risk rating system (**ICRRS**) developed by Standard & Poor's to determine creditworthiness. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings below CCC demonstrating a high probability of counterparty's payment default on financial commitments. Default probabilities likewise map to Standard & Poor's "PD" scale. Non-current accounts that are rated below CCC are classified based on the characteristics of classified loans per BSP Manual of Regulations for Banks, i.e., Especially Mentioned, Substandard, Doubtful or Loss.

Impairment provisions are recognized for losses that have been incurred at the end of the reporting period following IAS39 standards. The Bank subjects all loans and receivables with a principal balance of at least ₱15 million and exposures under stage 3 to individual testing.

Significant changes in the economy or in particular industry segments that represent a concentration in the Bank's portfolio could result in losses that are different from those provided for at the end of each reporting period. Management, therefore, carefully monitors the changes and adjusts its exposure to such credit risk, as necessary.

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Parent Bank uses its ICRRS to determine any evidence of impairment. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings below CCC demonstrating a high probability of counterparty's payment default on financial commitments.

Credit Risk Assessment

In the process of applying the Bank's ICRRS, the Bank analyses the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments
AA*	Very strong capacity to meet financial commitments
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	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
Doubtful	Loans and credit accommodations that 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
Loss	Loans considered absolutely uncollectible or worthless

Note: *Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.

The foregoing ICRRS was established by the Bank during the first quarter of 2013 in congruence and with reference to the credit risk rating methodology used by S&P in measuring the creditworthiness of an individual debt issue which is still performing or current in status.

The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity/borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time.

Credit Approval Process

The Bank has three Credit Committees for loans, two under CBG (one for each of Corporate Accounts and SMEs) and one under the Treasury Group. The Credit Committees screen and evaluate credit proposals originating from lending units before these are presented to the approving bodies and are in turn served by support units which monitor and review the Bank's credit exposures. The lending units evaluate the borrower and the purpose of the loan and negotiate the terms of the loan with the borrower. At the post-approval stage, lending officers conduct regular client calls in order to monitor the account's performance. Borrowers are required to submit on a regular basis their interim and audited financial statements to monitor the borrowers' financial viability. Credit reviews on borrowers are also conducted regularly to assess the creditworthiness of accounts and their compliance with the Bank's policies and procedures. Movements in the total loan portfolio and exposures to various industries are also regularly monitored.

Credit Approval Authority

The authority to extend credit or commit the Bank to extend credit rests on the Board of Directors, which has delegated its authority, subject to certain approval limits, to certain designated credit authorities. All substantial transactions are subject to review and approval by the Executive Committee. In addition, a clear separation of duties exists between the officers recommending credit-related transactions and those who authorize them.

For transactions involving the Bank's DOSRI, approval by the Board of Directors is required for credit/other accommodations regardless of the amounts involved. For non-DOSRI, the Bank has a hierarchy of delegated approving authority based on the amount of the credit facility involved, security arrangement or collateral position, internal credit risk rating, and/or account status. The aggregate amount of the credit/other accommodations (i.e., net of facilities secured by cash collateral) will determine the appropriate credit committee or authority.

OFW Remittances

Different approval authority levels and limits apply to the establishment of lines for releasing remittance funds to TeleMoney couriers, depending on the type of collateral offered.

Consumer Loans

The approval authority levels and limits differ among the different consumer loan products under RCBC Credit. Approval authority of Credit Analysts and all other lower officers pertain only to the specific loan products assigned. Approval limits for personal loans range between ₱0.01 million to ₱5.0 million, with approving authorities ranging from the Credit Evaluation Officer up to the RCBC Credit President, a Bank officer seconded to RCBC Credit. For amounts exceeding ₱5.0 million but not exceeding ₱20.0 million, approval is requested from both the RCBC Credit President and the Bank's Chief Credit Officer. Amounts beyond ₱20.0 million can only be approved by the Bank President. Approvals provided by employees of RCBC Credit should conform to the credit policies set forth for the respective product line, while approvals with exceptions to the policies can only be approved by Bank officers within their respective delegated authorities.

Credit Monitoring and Review Process

It is the Bank's policy that credit performance be systematically monitored by staff other than the officer who initially reviewed the transaction. The credit review process also involves conducting periodic internal evaluations of credit risk processes to determine that credit activities are in compliance with the Bank's credit policies and procedures, credits are authorized within the guidelines established by the Bank's Board of Directors and the quality and value of individual credits are being accurately reported to senior management.

The Bank performs an account profitability analysis on borrowers when loans are originated and renewed or more frequently for important relationships. The methods of profitability analysis used in the account profitability analyses include return on funds employed, which intends to measure returns on risk assets taking into consideration the capital charge of the risk asset.

As part of its loan portfolio management, the Bank closely monitors past due accounts and their developments. On a weekly basis, Credit Management – Asset Quality consolidates all non-accruing and past due accounts in a report that is sent to the lending groups. The lending groups respond by providing updates on the status of these accounts. These are then reviewed for any unfavorable information and developments which may become reasons/considerations for flagging. Once an account is flagged, this is then reported to the Risk Oversight Committee and to the Credit and Collection committee on a periodic basis.

The Bank policies provide for stress testing to determine the potential for extreme conditions to affect both individual credits and the sectors of the credit portfolios. The three areas of focus for stress testing are: (a) economic or industry down-turns; (b) market-risk events; and (c) liquidity conditions. Stress-test analysis also includes contingency plans regarding the actions that management may take given certain scenarios, such as hedging against outcome or reducing the size of the portfolio. Credit risk officers and risk managers document and report to the Board of Directors the output of the tests.

Market Risk Management

The Bank considers market risk as risk resulting from adverse movements in the level or volatility of market rates or prices which will affect the Bank's financial condition. The primary determinant of market risk is the volatility of the relevant market for a business line. The market risks of the bank are: (a) foreign exchange rates; (b) interest rates; and (c) equity prices.

To manage market risk inherent in the Bank's portfolio, the Bank employs a process of identifying, analysing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- ***Nominal Position*** — an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.
- ***Dollar Value of 01*** — an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Bank's risk appetite.

  Value at Risk (**VaR**) — an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors; and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Bank uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book assets and liabilities). Foreign Exchange position VaR uses a one- day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure results remain consistent with the expectations based on the chosen statistical confidence level.

While the Bank use VaR as an important tool for measuring market risk, it is cognisant of its limitations, notably the following:

  - The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
  - VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.
  - The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.
  - VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.
  - In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.
  - VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

- ***Net Interest Income-at-Risk*** — Measures the sensitivity of earnings to market interest rates movements over a short- and medium-term horizon. Interest rate volatility is based on the maximum volatility of the one-month, three-month, six-month and one-year tenors over a 260-day look back.
- ***Capital-at-Risk*** — BSP Circular No. 544 refers to the estimation of the effect of interest rate changes as not only with respect to earnings, but also on the Bank's economic value. The estimate therefore must consider the fair valuation effect of rate changes on non-trading positions. These include both those positions with fair value changes against profit or loss, as well as those with fair value changes booked directly against capital funds (e.g., available-for-sale securities); but exclude those whose fair value changes recognized directly in equity. Adding this to the Earnings at Risk (**EaR)** determined using the procedure described above provides a measure of capital subject to interest rate risk. The Bank sets its capital-at-risk limit as a percentage of the equity in the statement of financial position.

  In addition to the limits corresponding to the above measurements, the following are also in place:
- ***Loss Limit*** — represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a management action trigger (**MAT**) is also usually defined to be at 50% of the Loss Limit. When

management action trigger is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.

- ***Product Limit*** — the nominal position exposure for certain specific financial instruments is established.

Stress testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at "worst case" loss estimates. This supplements the VaR measure, in recognition of its limitations.

The Bank's stress testing techniques include:

- ***Simple Sensitivity Tests*** — determine the impact on income of movements of one or more market risk factors using set percentage changes;
- ***Scenario Analysis*** — describes scenarios (based on historical or hypothetical scenarios) that the Bank's risk managers deem may happen in the foreseeable future and the consequences thereof; and
- ***Maximum Loss Approach*** — uses a combination of events that risk managers believe would be most damaging to the Bank's portfolio.

Foreign Currency Risk Management

The BSP has numerous regulations related to foreign currency management. The Bank complies with all of these, including limits on foreign currency exposures, liquidity reserves and types of currencies allowed for trading.

The Bank's risk measurement system incorporates risk factors for each different foreign currency in which the Bank's positions are determined. Foreign exchange positions are generally classified as trading positions and are marked-to-market at least daily. Foreign exchange forwards are classified at inception as either "trading" (outright open positions without an offsetting foreign exchange contract) or "hedging" (positions with an offsetting foreign exchange contract, generally part of a foreign exchange swap transaction). Each classification has a separate profit and loss accounting methodology assigned: net present value marked-to-market for trading positions and straight-line allocation for hedging positions.

In addition, the Bank regularly calculates the foreign currency VaR. As of 31 December 2023 and 31 December 2024, the Bank's total foreign currency VaR were U.S.$804,000 and U.S.$1.05 million respectively, while its total forwards/swaps VaR were U.S.$894,000 and U.S.$1.08 million respectively. A system of loss limits and MAT is utilized to control losses. Foreign exchange related products are also discussed and pricing policies set by the ALCO.

The Bank's Treasurer has the ultimate responsibility over the Bank's foreign exchange risk and can rebalance the allocation of foreign exchange risks among specific currencies and strategies according to the overall nature of foreign exchange exposures approved by management.

Operations Risk Management

Operational risk is the risk arising from the potential that inadequate information systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected loss. Operational risk includes the risk of loss arising from various types of human or technical error, settlement or payment failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Bank maintains departmental operations manuals that are periodically updated. A central tenet of these manuals is that transactions and items of value are subject to a system of dual control whereby the work of one person is verified by a second person to ensure that the transactions are properly authorized, recorded and settled.

In addition, the Bank places emphasis on the security of its computer systems and has a comprehensive IT security policy. External vulnerability and penetration testing is performed at least annually as required by relevant BSP regulations. The Bank has also designated a security administrator independent of the front office who is responsible for maintaining strict control over user access privileges to the Bank's information systems.

The Bank has also developed a business continuity plan based on several crisis severity levels which is tested at least annually and updated for any major changes in systems and procedures. Central to the Bank's business continuity plan is a disaster recovery plan to address the continued functioning of systems, recovery of critical data and contingency processing requirements in the event of a disaster.

Operational Controls and Procedures in Branches

The Bank employs several operational control measures and procedures to mitigate risks in its branches. These include the segregation of duties such that no individual has complete authority and responsibility for handling all phases of any transaction. Branches are now positioned as servicing channels with greater focus on process control, compliance, and customer service. Control layers have been set in place to ensure that proper due diligence is performed for client onboarding, client records updating, and transactions processing. An Approval Authorities Manual has been issued to identify approving authorities and approval limits of officers in the bank. The necessary review and scrutiny of a transaction must be performed by an authorized associate of a branch or operating unit before proceeding with the processing of transactions. In addition, the use of Bank's operations system is limited to authorized employees. Reconciliation and balancing procedures are done regularly to establish the accuracy of branch records and establish employee accountability.

The Bank also has security policies and procedures which are currently being implemented for the purpose of attaining safety and security of both the Bank and its personnel. These include: (a) personnel security, with the objective of ensuring that employees of the bank are capable, reliable, trustworthy and loyal, in consonance with the Bank's hiring policies, and to provide guidelines with the screening and training of agency personnel to become more effective in their duties; (b) documents and information security, with the objective of determining the security to be applied to the hardware/software of the Bank depending on its classification such as critical, confidential, internal use and unclassified; (c) information and system availability to ensure that a system or process is in place for identifying those assets that would severely affect the operation of the Bank if they become unavailable; and (d) physical security, which includes structural barriers such as fences, lights, doors, windows, vault walls and doors.

Branch operations are governed by policy guidelines and procedures that are formulated to guide the officers and staff in the process of initiating day-to-day banking transactions with the objective of providing more value-added services and better banking experience to the Bank's clients in the most efficient way possible. Compliance reviews and regular audit examinations are also being done to ensure that the Bank's policies and procedures are properly implemented.

RCBC Online-Corporate

RCBC Online-Corporate (**ROC**) is the Bank's corporate banking channel that lets corporate clients manage their RCBC corporate accounts online. Through ROC, clients can manage their corporate accounts more efficiently and conveniently by allowing clients to do online balance inquiry, view transaction history, initiate funds transfers and payments and send requests and instructions to the Bank. Enrolment in ROC requires the establishment of an active account compliant with the Bank's KYC standards. ROC's added security feature is the one-time password, a secondary password transmitted either through email or SMS for the user to encode in addition to its login credentials.

Operational Controls and Procedures in Treasury

The Bank has implemented pre-trade control policies and procedures, which include ensuring that: (a) dealers are aware of established dealing conventions; (b) operating systems have been tested and approved for production; (c) the necessary authorities have approved dealing limits; and (d) counterparties are identified and validated and required documentation is in place.

The Bank's front office treasury policies and controls include ensuring that delegated authority is issued to each dealer, reconciling dealers' positions against the Bank's accounting records, monitoring credit exposure and market risk limits, entering trades and transactions into the system in a timely and accurate manner and checking dealing system information on a spot basis. The Treasury Operations Department reviews trade information in the treasury system and deal tickets to ensure that deals are recorded and input properly. The Treasury Operations Department also has the responsibility of investigating and resolving inconsistencies in the confirmation process.

Treasury positions for each issue, issuer, industry, rating category and country of issuer are reported to ALCO on a trade date basis. These positions are compared to the approved limits. The age of securities positions is monitored on a first in/first out basis from the trade's inception. Due to differing valuation standards, the Bank places controls on internal transfers of securities from their accounts as inception to other classifications.

Non-standard transactions not booked routinely in the back-office system, are subject to special procedures. A business unit head of the unit entering the transaction must verify that all back-office necessary systems required to book, value and measure exposure of the transaction are in place or can be developed in a timely manner.

The Treasury Operations Department undertakes the settlement of funds and securities and follows procedures and controls designed to minimize operational risk, including procedures concerning confirmation matching of payments from counterparties, dealing with confirmation exceptions and reporting settlement exposures and payment failures. The Treasury Operations Department reports all projected settlement exposures as well as any payment failures to the credit officers in charge of the counterparty or customer relationship.

In addition, the Bank has implemented operational control policies for accounting and financial control to ensure that transactions are properly recorded in the balance sheet and income statement. These include reconciliation of treasury accounts with the general ledger of the Bank's financial management system. There is an independent regular mark-to-market process that values portfolio positions at current prices/levels that are provided through the live price feed of Reuters or Bloomberg and from other independent third party sources. These generate the estimated mark-to-market of the investment portfolios or positions independent of the front and back office.

Internal Audit

The Bank's internal audit function is performed by its Internal Audit Group (**IAG**), overseen by the Audit and Compliance Committee and conducted pursuant to an audit plan. The IAG undertakes a comprehensive audit of all business groups and other functions. The IAG performs a financial audit every quarter and undertakes a risk-based audit of all businesses and operating units on a twelve- to thirty-six months cycle depending on the unit's risk score. Various components of IT from applications to databases, networks and operating systems are covered under the annual audit plan. The Bank's audit plan is approved by the Audit and Compliance Committee and the Board of Directors. Pursuant to BSP regulations, banks in the Philippines are required to constitute an audit committee comprised of at least two independent directors. The Bank's Audit and Compliance Committee provides guidance and oversees the responsibilities of the internal and external audits of the Bank. It also provides an independent line of reporting for the internal audit function.

Anti-Money Laundering Controls

The AMLA was passed in September 2001. It was subsequently amended by Rep Act Nos. 9194, 10167 and 10365 in March 2003, June 2012 and February 2013, respectively. The Terrorism Financing Prevention and Suppression Act (Rep Act No. 10168) was passed in June 2012.

Under the AMLA, as amended, the Group is required to submit covered transaction reports. Covered transaction reports involve single transactions in cash or other equivalent monetary instruments in excess of ₱500,000.00 within one banking day. The Group is also required to submit suspicious transaction reports to the AMLC. Suspicious transaction reports are reports involving transactions with covered institutions, such as banks, regardless of the amount involved, where any of the following circumstances exists:

(a) there is no underlying legal or trade obligation, purpose or economic justification;
(b) the customer or client is not properly identified;
(c) the amount involved is not commensurate with the business or financial capacity of the client;
(d) the transaction is structured to avoid being the subject of reporting requirements under the AMLA;
(e) there is a deviation from the client's profile or past transaction;
(f) the transaction is related to an unlawful activity or offence under AMLA; or
(g) similar or analogous transactions to the above.

The AMLA requires the Group to safe keep, as long as the account exists, all the know your customer documents involving its clients, including documents that establish and record their true and full identity. In addition, transactional documents are required to be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the know your customer documents must be retained for five years after their closure. Meanwhile, all records of accounts with court cases must be preserved until resolved with finality. Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one year imprisonment and/or fine of ₱500,000.00.

Malicious reporting of a completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment, and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

On 27 January 2011, BSP Circular No. 706 was implemented, superseding prior rules and regulations on AMLA. The circular requires the Group to adopt a comprehensive and risk-based money laundering and terrorist financing prevention program designed according to the covered institution's corporate structure and risk profile. In compliance with the risk-based approach mandated by the circular, the Group profiles its clients based on their level of risk, specifically, Low, Normal, or High. These risk levels have their corresponding level of due diligence, specifically, Reduced, Average or Enhanced.

BSP Memorandum No. M2012-017 issued on 4 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017, likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (ARRS), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions.

In July 2017, Republic Act No. 10927 was also signed into law further expanding the coverage of AMLA to include cash transactions with or involving real estate developers or brokers exceeding ₱7.5 million, and casinos for a single casino cash transaction involving an amount in excess of ₱5.0 million or its equivalent in any other currency. Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum often years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the fact that a report was made to the AMLC and any information relating to such report. A violation of the said rule is deemed a criminal act.

On 18 July 2020, Republic Act No. 11479 or the Anti-Terrorism Act of 2020 (Anti-Terrorism Act) became effective. The Anti-Terrorism Act repealed Republic Act No. 9372, or the Human Security Act to provide stricter penalties and regulations against the inimical acts of terrorism. Section 35 of the AntiTerrorism Act authorizes the AMLC, either upon its own initiative or at the request of the Anti-Terrorism Council, to investigate: (a) any property or funds that are in any way related to financing of terrorism or violation of Sections 4, 6, 7, 10, 11, or 12 of the Anti-Terrorism Act; and (b) property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of the aforementioned sections. In this regard, the AMLC is authorized to inquire into or examine deposits and investments with any banking institution or non-bank financial institution and their subsidiaries and affiliates without a court order. It also provides penalties to any person who maliciously, or without authorization, examines deposits, placements, trust accounts, assets, or records in a bank or financial institution and any employee, official, or a member of the board of directors of a bank or financial institution, who after being duly served with the written order of authorization from the Court of Appeals, refuses to allow the examination of the deposits, placements, trust accounts, assets, and records of a terrorist or an outlawed group of persons, organization, or association.

On 23 November 2020, the BSP issued Memorandum No. M-2020-084, which refers to the money laundering/terrorist/proliferation financing risk assessment system (MRAS) applicable to BSP-supervised financial institutions.

On 30 March 2023, BSP Circular No. 1170, s. 2023 was issued which amended the provisions of the Manual of Regulation for Banks on Customer Due Diligence (CDD). The circular provides that "where a covered person is unable to comply with the relevant CDD measures, considering risk-based approach, it shall (a) not open the account, commence business relations, or perform the transaction; or (b) terminate the business relationship; but in both cases, it shall consider filing a suspicious transaction report (STR) in relation to the customer." The Circular also includes the guidelines for the use of the Electronic Know Your Customer (KYC) system as a method of electronically verifying the credentials of a customer.

The Group's money laundering and terrorist financing prevention program contains policies on: (i) risk assessment; (ii) preventive measures including customer/beneficial owner identification and verification, and ongoing monitoring of customers, accounts and transactions; (iii) record keeping and retention; (iv) training programs; (v) freeze orders, bank inquiries and asset forfeitures and (vi) violations of the provisions of the money laundering and terrorist financing prevention program, among others. The Group performs an institutional risk assessment at least once every two years focusing on evaluating the Group's inherent money laundering, terrorist financing and proliferation financing risks presented by the Group's business activities and the controls in place to mitigate such inherent risks and to determine overall residual risk. The Group's money laundering and terrorist financing prevention program is revised annually to ensure that its KYC policies and guidelines are updated. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records prior to account opening. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, a Group head's approval is necessary.

The Group's Chief Compliance Officer, through the Anti-Money Laundering Division, monitors AML and counter-financing terrorism (**CFT**) compliance by conducting regular compliance testing of the head office and business units. Results of its AML and CTF activities and compliance monitoring are regularly reported to the AML Committee, Senior Management Committees and the Board of Directors to ensure that all AML and CFT matters are appropriately escalated.

In 2016, the Group instituted reforms aimed to reinforce its AML and CTF controls. The Group significantly lowered the thresholds for remittances, required more posting reviews during the day, and strengthened the process for escalation, fraud and unusual transactions. In addition, the Group has embarked on a re-engineering of its settlements and business center operations, and the consolidation and strengthening of its fraud management framework.

Legal Risk & Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Bank. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized and consulting internal and external legal advisers.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's compliance programme, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Audit and Compliance Committee and the Board of Directors.

Capital Adequacy

The Philippines adopted capital adequacy requirements based on the Basel Capital Accord in July 2001. In 2013, the Basel III implementing guidelines on minimum capital requirements were issued. As of 31 December 2023 and 31 December 2024, the Bank's core capital ratio (the ratio of Tier 1 Capital to risk-weighted assets) was 16.53% and 15.18%, respectively, while its risk-weighted capital ratio (the ratio of total capital to risk-weighted assets) was 17.37% and 16.08%, respectively. Under Basel III standards, the BSP's minimum risk-weighted capital ratio is currently 10.0%. See "*Capital Adequacy Requirements*".

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

The tables below and accompanying discussions provide selected financial highlights regarding the Bank's assets and liabilities. The following audited financial information should be read together with the Bank's financial statements included in this Offering Circular as well as "Risk Management" and "Business".

Funding

The Bank's main sources of funding are time, savings and demand deposits. As of 31 December 2024, deposits represented 75.20% of the Bank's total assets. As of 31 December 2024, time, savings and demand deposits represented 47.35%, 30.65% and 22.00%, respectively, of total consolidated deposits of ₱1,022.79 billion. In recent years, the Bank has made directed efforts to increase its deposit base. The Bank also sources its funding requirements from the interbank market and general financings.

Sources of Funding

The following table sets forth an analysis of the Bank's principal funding sources and the average cost of each funding source as of the dates indicated:

	As of 31 December					
	2022		2023		2024	
	Amount in ₱ millions	Ave Cost (per cent.)	Amount in ₱ millions	Ave Cost (per cent.)	Amount in ₱ millions	Ave Cost (per cent.)
Deposits by type						
Demand……..	174,563	0.57	214,395	1.10	224,988	1.09
Savings………	246,242	0.39	287,738	1.28	313,478	1.74
Time………….	430,357	2.35	450,999	5.26	484,328	5.01
Long-term Negotiable Certificate of Deposits (LTNCD)	6,082	5.50	3,580	5.50	-	-
Total	857,244	1.36	956,712	3.19	1,022,794	3.20
Deposits by currency						
Peso	686,631	1.44	767,255	3.32	833,337	3.38
Foreign Currency…	170,613	1.05	189,457	2.64	189,457	2.63
Total	857,244	1.36	956,712	3.19	1,022,794	3.20
Borrowing						
Peso	40,864	4.73	25,787	9.23	9,613	5.77
Foreign Currency…	100,207	2.60	60,010	1.35	103,938	4.57
Total	141,071	3.62	85,797	4.50	113,551	5.22

Deposits

The Bank's principal sources of deposits are corporations and institutions. As of 31 December 2024, the Bank's largest depositor made up 1.42% of its total deposits, and the Bank's largest five depositors made up 6.53% of its total deposits. As of 31 December 2024, corporate and institutional deposits accounted for approximately 56.39% of the Bank's consolidated total Peso denominated deposit liabilities. The remainder of the deposits comprises principally deposits by individuals. The Bank's foreign currency denominated deposits and funding are primarily handled through its FCDU operation, which is permitted to accept deposits and extend credit in foreign currencies. As of 31 December 2024, the Bank's foreign currency deposits made up 18.50% of its total deposits.

The Bank has expanded its sources of funding in order to diversify the scheduled maturities of deposits and maintain a funding portfolio that will enable it to achieve funding stability, liquidity, and reduce the discrepancies between its loan and deposit maturities. The Bank has also introduced and plans to continue to introduce, internal and external programs to encourage increases in deposits, particularly traditional demand and savings deposits, such as the Deposit and Drive Raffle Promo, the introduction of the Hexagon Club and ongoing offer of special rates for certain deposit accounts. Although the majority of the Bank's customer deposits are short-term, the Bank's depositors typically roll over their deposits at maturity, effectively providing the Bank with a source of long-term funds.

As of 31 December 2024, 52.65% of the Bank's outstanding deposits were demand and savings deposits which can be withdrawn on demand without any prior notice from the Bank's customers, as compared to 52.49% as of 31

December 2023. The following table sets out, as of the dates indicated, an analysis of the maturities of the deposit base of the Bank:

	As of 31 December		
	2022	2023	2024
	(Amount in ₱ millions)		
Deposits by type			
Demand	174,563	214,395	224,988
Savings	246,242	287,738	313,478
Time			
Up to 1 year	408,034	421,709	450,241
Over 1 year to 5 years	17,856	23,008	16,073
Over 5 years	10,549	9,862	18,014
Total time deposits	436,439	454,579	484,328
Total	**857,244**	**956,712**	**1,022,794**

The Bank also maintains credit lines with domestic commercial banks and financial institutions in the interbank market primarily for treasury management purposes. Interbank borrowings are typically for short-term duration of between one day and a few weeks. Interbank deposits do not usually form a significant part of the Bank's funding base but, together with the Government bond market, are important in the management of the Bank's liquidity. The BSP is a lender of last resort to the Philippine banking industry. The Bank has not had to resort to this facility but has managed its liquidity through its participation in the interbank market in the Philippines.

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

Bills Payable and Other Borrowings

The Bank also sources funds through bills payable. As of 31 December 2024, bills payable, which represent borrowings from local and foreign banks, amounted to approximately ₱86.62 billion. As of 31 December 2024, approximately 93.34% of bills payable were denominated in foreign currencies. The following table sets forth, as of the dates indicated, information related to the Bank's short-term borrowings, which are comprised primarily of money-market borrowings. Short-term borrowings exclude deposits and securities sold under repurchase agreements.

	As of 31 December		
	2022	2023	2024
Total bills payable	(Amount in ₱ millions, except for percentages)		
Period-end balance	66,660	50,858	86,616
Average balance during the period	27,958	43,980	51,099
Maximum outstanding	66,660	66,074	86,616
Average interest rate during the period (per cent.)	2.95	5.57	5.77

	As of 31 December		
	2022	2023	2024
Total bills payable	(Amount in ₱ millions, except for percentages)		
Period-end balance	66,660	50,858	86,616
Average balance during the period	27,958	43,980	51,099
Maximum outstanding	66,660	66,074	86,616
Average interest rate during the period (per cent.)	2.95	5.57	5.77

Capital Market Issuance

The Bank may also issue senior, subordinated or hybrid debt from time to time in order to raise funds or strengthen its capital base.

Long-term Negotiable Certificates of Deposit (LTNCDs)

The Bank had no LTNCDs outstanding as of 31 December 2024.

Debt Issuance

On 31 March 2021, the Bank issued ₱4,129,730,000 4.18% ASEAN sustainability bonds due in 2026, under its ₱100 billion bond and commercial paper programme. On 7 January 2024, the Bank issued U.S.$400 million 5.50% unsecured sustainability bonds due in 2029 under its U.S.$3,000,000,000 Medium Term Note Programme. On 21 January 2025, the Bank issued U.S.$350 million 5.38% unsecured sustainability bonds due in 2030.

Liquidity

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

Under BSP Circular Nos. 1041, 1054, and 1056 (2019), universal and commercial banks (including the Bank) are required to maintain regular reserves of: (a) 14.0% against demand deposits, negotiable order of withdrawal accounts, savings deposits, time deposits, negotiable certificates of time deposits, long-term negotiable tax exempt certificates of time deposits, deposit substitutes, Peso deposits lodged under "due to foreign banks" and Peso deposits lodged under "due to head office/branches/agencies abroad" (Philippine branch of a foreign bank); (b) 4.0% against LTNCDs under BSP Circular No. 304; (c) zero % against deposit substitutes evidenced by repossession agreements and interbank call loan under Section 343 of the BSP MORB; and (d) 3.0% against bonds.

On 15 October 2019, the Monetary Board approved the reduction in the reserve requirement ratio for bonds issued by banks and quasi-banks from 6.0% to 3.0%. The reduced reserve requirement ratio was implemented in furtherance of the BSP's commitment to contribute to the development of the local debt market. It also intends to incentivize both banks and quasi-banks to tap the domestic bond market as part of their liquidity management. The new reserve requirement ratio took effect on 1 November 2019 and accordingly, all domestic issuances of bonds by banks and quasi-banks as of 1 November 2019 are covered by the reduced reserve requirement rate.

On 24 October 2019, the Monetary Board announced its plan to reduce the reserve requirement ratio by 100 basis points (or one percentage point) for universal/commercial and thrift banks. Local banks will only be required to reserve 14.0% of their deposits and deposit substitute liabilities. The reserve requirement reduction is in line with the BSP's broad financial sector reform agenda to promote a more efficient financial system by lowering financial intermediation costs. The adjustment in reserve requirement ratios is also aimed at ensuring sufficient domestic liquidity in support of economic activity. The reduction took effect in December 2019.

On March 23, 2020, the Monetary Board authorized the BSP to reduce the reserve requirement ratios of BSP-supervised financial institutions. Pursuant to this authority, the BSP reduced by 200 bps the reserve requirement ratio of reservable liabilities of universal and commercial banks effective 3 April 2020 from 14.0% to 12.0%. The reduction intended to calm the markets and to encourage banks to continue lending to both retail and corporate sectors thereby ensuring sufficient domestic liquidity in support of economic activity amidst the global pandemic due to COVID-19.

Pursuant to Circular No. 1086, the BSP also requires banks to maintain cover of 100.0% for foreign currency liabilities of their FCDUs (except for U.S. Dollar-denominated repurchase agreements with the BSP) following a two-week rolling compliance period with the ability to offset any deficiency in asset cover occurring in one or more days of the week by the excess cover that it may hold on the same week and in the immediately succeeding week. The Bank has complied with the legal and liquidity reserve requirements for both Peso and FCDU deposits.

Effective 30 June 2023, the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks are 9.5% for universal banks (UBs)/commercial banks (KBs), 6% for digital banks, 2% for standalone thrift banks (TBs), and 1% for rural banks (RBs)/cooperative banks (Coop Banks) pursuant to Circular No. 1175. Effective 25 October 2024, the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks stand at 7% for UBs/KBs, 4% for Digital Banks, 1% for TBs, and 0% for RBs/Coop Banks, pursuant to Circular

No. 1201. Further, effective 28 March 2025, the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks stand at 5% for UBs/KBs, 2.5% for Digital Banks, 0% for TBs, and 0% for RBs/Coop Banks, pursuant to Circular No. 1211.

The Bank currently complies with all of the requirements described above.

As of 31 December 2024, the Bank's liquid assets amounted to ₱354.23 billion, representing 26.04% of the Bank's total resources. Liquid assets include cash and other cash items, amounts due from BSP, amounts due from other banks, interbank loan receivables and trading and investment securities (excluding investment securities at amortized cost).

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

	As of 31 December		
	2022	2023	2024
	(Amount in ₱ millions, except for percentages)		
Liquid assets[(1)]………………..	330,306	344,323	354,233
Financial ratios (%)			
Liquid assets-to-total assets	28.62%	24.11%	26.04%
Liquid assets-to-total deposits ...	38.53%	31.28%	34.63%
Net loans-to-total deposits.........	66.62%	70.10%	72.66%

Note:

(1) Liquid assets includes cash and cash items, deposits with the BSP and deposits with other banks, loan and receivables arising from revise repurchase agreement, interbank loan receivables, fair value through profit or loss and fair value through other comprehensive income.

Loan Portfolio

As of 31 December 2024, the Bank's total consolidated loan portfolio amounted to ₱710.63 billion, representing approximately 52.2% of its total resources as of that date. The Bank's total consolidated loan portfolio increased by 14.26% from 31 December 2023 primarily due to the 39.7% growth in consumer loans.

As of 31 December 2024, loans to the corporate market were ₱287.1 billion as compared to ₱291.5 billion as of 31 December 2023. Corporate lending accounted for 40% of the total gross loan portfolio of the Bank as of 31 December2024. Lending to SMEs totaled ₱137.8 billion as of 31 December 2024, accounting for 19.4% of the Bank's total gross loan portfolio. Lending to consumers totaled ₱285.3 billion as of 31 December 2024, accounting for 40.1% of the Bank's total gross loan portfolio.

Industry Concentration

As of 31 December 2024, credit cards represented the largest sector of the Bank's consolidated loan portfolio at 16%. The majority of real estate lending comprises mortgage loans to consumers and working capital loans to private real estate developers. The second largest industry concentration of the Bank is the real estate, renting and other related activities followed by the electricity, gas and water sector. The Bank has set industry limits reviewed on a periodic basis to manage risk concentrations.

The following table sets forth an analysis of the Bank's consolidated loan portfolio by economic activity, as defined and categorized by the BSP:

	As of 31 December					
	2022		2023		2024	
	Amount in ₱ millions	%	Amount in ₱ millions	%	Amount in ₱ millions	%
Credit cards………………………….	51,815	10	74,667	12	110,453	16
Housing………………………………	67,696	12	80,864	13	98,954	14
Real estate, renting and other related activities.............	80,276	15	100,969	16	93,193	13
Financial intermediaries……………..	39,878	7	49,479	8	72,473	10
Wholesale and retail trade..................	69,080	13	63,963	10	72,324	10

Electricity, gas and water	73,970	14	70,407	11	69,851	10
Auto…………………………………	38,656	7	43,257	7	62,472	9
Manufacturing (various industries)	50,441	9	58,061	9	47,839	7
Transportation and communication....	49,605	9	53,146	9	47,554	7
Consumer……	314	-	3,117	1	10,090	1
Mining and quarrying	1,193	-	2,243	-	4,581	1
Agriculture, fishing and forestry.........	5,285	1	5,076	1	4,075	1
Hotels and restaurants..........	4,616	1	4,079	1	3,972	-
Other community, social and personal activities.............	2,817	1	2,847	-	2,461	-
Others	7,704	1	9,747	2	10,342	1
Total	**543,346**	**100**	**621,922**	**100**	**710,634**	**100**

The Bank intends to continue to focus its lending activities on lower risk areas such as Government guaranteed loans, top tier corporate loans, trade finance loans, and mortgage loans.

The Bank subscribes to internal policies toward exposure to the Philippine economy, while striking a balance with prescribed regulatory exposure limits. Internal industry limits are reviewed regularly taking into consideration the demands of the economy and strategy set by the Bank. The Bank also monitors its exposure to specific sectors of the economy to ensure compliance with specific pre-determined lending requirements imposed by law on all Philippine banks. The Bank must comply with legal requirements to make loans available to SMEs. Mandatory credit allocation laws require all Philippine banks to allocate 6.0% of their loan portfolios to small-sized enterprises and 2.0% to medium-sized enterprises. The Bank is in compliance with these requirements.

Republic Act No. 11901, or the Agricultural, Fisheries and Rural Development Financing Enhancement Act of 2022 (Agri-Agra Law), repealed Republic Act No. 10000 or The Agri-Agra Reform Credit Act of 2009, and was enacted on 28 July 2022. The new Agri-Agra Law mandates all banking institutions, whether private or government, to set aside at least 25% of their total loanable funds for agriculture and fisheries credit in general. The law gives more flexibility to the banks in extending credit to the agriculture and agrarian reform sectors as the law removed the required allocation of credit between the agrarian reform beneficiaries (10%) and agricultural beneficiaries (15%) under the Agri-Agra Law. Under the law, banks may also comply through the various alternative forms of compliance. Banks that fail to comply or only partially comply with the minimum requirements under the Agri-Agra Law shall be penalized by the BSP with an annual monetary penalty and/or administrative sanctions. The Agri-Agra Law also provides that banks which are unable to directly lend to rural community beneficiaries may invest in debt and equity securities. As of 31 December 2024, the Bank satisfied these requirements as it provided ₱18.606 billion for agriculture, fisheries, and rural.

Maturity

Loans repayable on demand principally comprise inter-bank loans, while short-term loans principally comprise loans to corporates for working capital and loans to consumers and SMEs. Medium- and long-term loans are typically granted to corporations and businesses to finance capital expenditures and mortgages advanced for property purchases. The percentage of the Bank's loans with longer maturities has increased recently due primarily to increases in mortgage loans.

The following table sets out an analysis of the Bank's consolidated loans by maturity as of the dates indicated:

	As of 31 December					
	2022		**2023**		**2024**	
	Amount in ₱ millions	**%**	**Amount in ₱ millions**	**%**	**Amount in ₱ millions**	**%**
Within one year	54,815	10.1	68,481	11	70,547	9.9
More than one year	488,531	89.9	553,441	89	640,087	90.1
Total	**543,346**	**100**	**621,922**	**100**	**710,634**	**100**

Foreign Currencies

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

As of 31 December 2024, 86.21% of the Bank's loan portfolio was denominated in Pesos while 13.79% was denominated in foreign currencies, the majority of which comprised U.S. dollars. The following table shows an analysis of the Bank's net loans and receivables by currency as of the dates indicated:

	As of 31 December					
	2022		2023		2024	
	Amount in ₱ millions	%	Amount in ₱ millions	%	Amount in ₱ millions	%
Pesos	476,456	87.69	564,023	90.69	612,653	86.21
Foreign currency	66,890	12.31	57,899	9.31	97,981	13.79
Total	**543,346**	**100**	**621,922**	**100**	**710,634**	**100**

Interest Rates

An important component of the Bank's asset and liability policy is its management of interest rate risk, which is the relationship between market interest rates and the Bank's interest rates on its interest earning assets and interest-bearing liabilities. See "Risk Management and Compliance – Interest Rate Risk Management". The Bank's Asset and Liability Committee (ALCO) decides on loan pricing and polices that are consistent with the strategies for the balance sheet. The Bank's loan pricing is set by the Bank's ALCO on a weekly basis and is driven by market factors, the Bank's funding position and the credit risk associated with the relevant borrower. The lending market in the Philippines is principally based on floating rate lending. The Bank's floating rate loans are re-priced periodically by reference to the Bloomberg Valuation and to the Bank's internal cost of funds plus a spread. As a result, the Bank's exposure to interest rate fluctuations is significantly reduced. See "Risk Management and Compliance – Interest Rate Risk Management". The Bank's pricing policy with respect to its interest-bearing liabilities is also set by ALCO at its weekly meetings. Certain current account deposits pay interest on a monthly basis and certain savings account deposits pay interest on a quarterly basis. Both current and savings account deposits typically pay no interest for deposits falling below the balance required to earn interest. As of 31 December 2024, the basic rate for Peso savings account deposits that are above the minimum threshold is currently between 0.15% to 0.45% per annum, applied to Dragon Savings depending on the amount of deposit. The Bank has offered the CASA special rate to select new and existing clients of up to 5.85% per annum for minimum ₱5 million fresh funds subject to account movements. The Bank also offers special interest rates for deposits under its time deposits account. These larger deposits are placed on pre-agreed terms and pay interest rates that generally track Philippine Treasury Bill rates.

Size and Concentration of Loans

The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25.0% of its net worth subject to increase under certain circumstances. On 13 December 2023, the BSP issued Circular No. 1185, which approved the grant of an additional single borrower limit (SBL) of 15% of the net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities related to decarbonization.

As of 31 December 2024, the Bank's SBL, set by the BSP, was ₱37.288 billion. In determining whether the Bank meets the SBL, the Bank includes exposure to related accounts (including accounts of subsidiaries and parent companies of the borrower). This limit does not apply to loans which are secured with non-risk assets, including cash deposits and Government securities. The Bank has complied with the SBL on all of its loans.

As of 31 December 2024, the Bank's single largest corporate borrower accounted for 2.0% of the Bank's outstanding loan portfolio. As of 31 December 2024, the Bank's ten largest performing borrowers (including groups of individuals and companies) accounted for ₱93.45 billion, or 12.7% of the Bank's outstanding loan portfolio.

The following table presents a breakdown of total loans by principal amount as a percentage of total loans as of the dates indicated:

%	As of 31 December 2022	2023	2024
₱5,000,000 or less....................	20.4	20.7	24.2
₱5,000,001 to ₱10,000,000.......	4.6	4.8	3.3
₱10,000,001 to ₱15,000,000.....	2.4	2.3	2.0
More than ₱15,000,000	72.6	72.1	70.5
Total..	**100**	**100**	**100**

Secured and Unsecured Loans

The Bank principally focuses on cash flows and cash generating capabilities in assessing the creditworthiness of borrowers. However, the Bank will secondarily seek to minimize credit risk with respect to a loan by securing loans with collateral or guarantees. Acceptable collaterals include real estate mortgages (with loan values ranging from 50.0% to 60.0% of appraised value), unconditional guarantee from fully owned Government institutions, chattels (with loan values ranging from 90.0% to 100.0% of appraised value), tradable Government debt instruments (with loan values ranging from 60.0% to 100.0% of appraised value), shares of stocks and corporate bonds (with loan values ranging from 30.0% to 70.0% of market value) and club shares (with loan value of 40.0% to 50.0% of market value after transfer costs). As of 31 December 2024, approximately 41.38% of the Bank's total loans were extended on a secured basis, with approximately 28.71% of secured loans backed by real estate mortgages.

The following table sets forth the Bank's secured and unsecured loans, classified (in the case of secured loans) according to type of security as of the periods indicated:

	As of 31 December					
	2022		2023		2024	
	Amount in ₱ millions	%	Amount in ₱ millions	%	Amount in ₱ millions	%
Secured						
Real estate mortgages	169,253	31.15	184,910	29.73	203,996	28.71
Chattel mortgage	44,003	8.1	51,280	8.25	63,435	8.93
Hold-out deposits .	11,001	2.02	8,153	1.31	15,089	2.12
Other securities	11,286	2.08	11,119	1.79	11,553	1.63
Total secured	**235,543**	**43.35**	**255,462**	**41.08**	**294,073**	**41.38**
Unsecured	**307,803**	**56.65**	**366,460**	**58.92**	**416,561**	**58.62**
Total	**543,346**	**100**	**621,922**	**100**	**710,634**	**100**

In the Philippine banking industry as a whole and in the Bank's loan portfolio, secured loans are predominantly secured by real estate. Other forms of collateral include collateral over machinery and inventory and cash collateral. Personal guarantees are accepted from time to time as an additional source of collateral enhancement.

Loan Administration and Loan Loss Provisioning

Loan Classifications

The Bank classifies loans as non-performing in accordance with BSP guidelines. The guidelines require banks to classify their loan portfolios based on perceived levels of risk to encourage timely and adequate management action to maintain the quality of their loan portfolios. All of the Bank's risk assets, in particular the Bank's loan portfolio, are either classified or unclassified. Those loans which do not have a greater than normal risk, and for which no loss on ultimate collection is anticipated, are unclassified. All other loan accounts, comprising those loan accounts which have a greater than normal risk, are classified, as follows:

Loans especially mentioned

These are loans that the Bank believes have potential weaknesses that deserve management's close attention, and which deficiencies, if left uncorrected, could affect repayment. Weaknesses generally include repayment capability which may be endangered by economic/market conditions as reflected in the borrower's deteriorating financial performance, the existence of technical defects in the supporting documentation or collateral, insufficient credit information about the borrower, continuous renewal or extension without reduction in principal (unless re-established by the repayment capacity), and intermittent delays or inadequate repayment of principal, interest or periodic amortizations of loans.

Sub-standard loans

This classification includes loans that the Bank believes represent a substantial and unreasonable degree of risk to the Bank. Those loans classified as sub-standard have a weakness that is well-defined that jeopardizes their liquidation. Such weaknesses may include adverse trends of a financial, managerial, economic or political nature, or a significant weakness in collateral.

Doubtful loans

These are sub-standard loans for which the Bank believes collection in full, either according to their terms or through liquidation, is highly improbable, and substantial loss is probable.

Loss loans

Loans which fall under this category are considered uncollectible or of insufficient value to warrant classification as bankable assets. The appropriate classification is generally made once payments on a loan are in arrears for more than 90 days, but may be made earlier when the loan is not yet past due if there are, among other things, indications of the deterioration of the creditworthiness of the borrower. Once interest on a loan is past due for 90 days, the Bank will classify the entire principal outstanding under such loan as past due, and it may initiate calling on all loans outstanding to that borrower as due and demandable.

Provisions

Under existing BSP regulations, a general provision for loan losses shall be established as follows: (i) 5% of the outstanding balance of unclassified restructured loans less the outstanding balance of restructured loans which are considered non-risk under existing laws and regulations; and (ii) 1% of the retained earnings. In accordance with BSP guidelines, the Bank makes the appropriate specific loan loss allowance as follows:

As of December 2024			
CORPORATE & MIDDLE MARKET LENDING			
RATING	**TOTAL EAD (PHP'M)**	**TOTAL ECL WITHOUT FLOOR (PHP'M)**	**PROVISION (%)**
A+	603.4	0.0	0.0%
A	361.1	0.0	0.0%
BBB	2,724.1	0.8	0.0%
BBB-	4,251.2	1.6	0.0%
BB+	1,598.3	0.3	0.0%
BB	36,111.1	10.5	0.0%
BB-	37,958.6	15.6	0.0%
B+	54,803.8	59.9	0.1%
B	77,849.2	169.4	0.2%
B-	157,131.8	427.8	0.3%
CCC+	19,489.0	152.5	0.8%
CCC	13,364.1	404.6	3.0%
ESPECIALLY MENTIONED	15,213.3	3,152.3	20.7%
SUBSTANDARD	7,871.8	5,181.9	65.8%
LOSS	373.6	373.6	100.0%
TOTAL	**429,704.4**	**9,950.7**	**2.3%**

CONSUMER LENDING			
RATING	**TOTAL EAD (PHP'M)**	**TOTAL ECL WITHOUT FLOOR (PHP'M)**	**PROVISION (%)**
PASS	153,980.30	566.5	0.40%
SUBSTANDARD	6,944.30	559.5	8.10%
DOUBTFUL	4,821.60	419	8.70%
LOSS	802.5	702.4	87.50%
TOTAL	**166,548.70**	**2,247.40**	**1.30%**

Following PFRS 9, the bank has shifted to using the Expected Credit Loss (**ECL**) model in providing allowance for credit losses. The ECL framework is approached on a Group-wide basis, with peculiarities depending on the portfolio and asset classes being assessed.

The ECL is computed in line with the standard Basel formulation of ECL = Probability of Default (**PD**) X Loss Given Default (**LGD**) x Exposure at Default (**EAD**). Both the PD and LGD parameters are based on the Group's credit experience, while EAD is the outstanding loan balance including contingent accounts at any given cut-off.

The PDs are default probabilities arising from its use of the S&P Scorecards for business lending and risk buckets for consumer lending, whose performance is reviewed periodically. LGD on the other hand is based on an analysis of 5 years' worth of recovery experience, taking into account both the facility and collateral position at time of default, and the recovery method employed.

In addition to the standard ECL formulation, an Overlay methodology is likewise employed for a forward-looking view of credit that may be based on macroeconomic studies or other bottom-up approaches that serve to modify any or all of the variables used in ECL calculation.

With the COVID-19 pandemic and the Bank's expectation of economic impacts, the key assumptions utilized in the calculation of ECL was revisited. The Bank has revised the existing ECL Framework for implementation in CY 2022. The new framework has integrated the impact of the COVID-19 pandemic to the portfolio provisioning.

The BSP conducts an annual audit on the Bank's individual loans to determine the classifications the Bank must apply to its loans when reporting classified loans to the BSP. Please refer to note 4.4 of the Bank's audited financial statements as of and for the year ended 31 December 2024 for further details on the risk classification of the aggregate loan portfolio and allowance for impairment of the Bank as reported to the BSP on a non-consolidated basis as of 31 December 2024.

A minimum provision of at least 1% shall be applied on all outstanding on-balance sheet loans except for:

a) exposures considered as non-risk under existing laws and regulations;
b) off-balance sheet credit exposures; and
c) debt securities classified as FVOCI and HTC Investments.

Provisions for exposures classified under Stage 1 shall be treated as General Provision and shall form part of Tier 2 Capital.

Stage 2 and 3 provisions shall be treated as Specific Provision for regulatory purposes.

Allocation of Provisions

The following table sets out the Bank's reconciliation of its balance of reserves for loan losses on a consolidated basis as of the dates indicated:

	As of 31 December		
(Amount in ₱ millions)	**2022**	**2023**	**2024**
Balance at beginning of year	18,264	16,030	17,395
Impairment losses during the year	5,259	6,574	8,281
Account written off and others	(7,493)	(5,209)	(5,546)
Balance at the end of the period	**16,030**	**17,395**	**20,130**

Non-performing Assets

In accordance with BSP guidelines, loans and other assets in litigation are classified as NPAs. The Bank's NPAs principally comprise ROPA and NPLs. The table below sets out details of the Bank's NPLs, non-accruing loans, ROPA, NPAs, restructured loans, and write-offs for loan losses for the specified periods on a consolidated basis:

	As of 31 December		
	2022	**2023**	**2024**
	(Amount in ₱ millions, except for percentages)		
Non-performing loans – net	11,432	10,910	18,137
Classified loans	23,112	25,8 60	32,013
Total loans – net	562,367	649,702	743,201
Total non-performing loans-to-total loans (%)	2.03%	1.68%	2.44%
Classified loans/total loans (%)	4.11%	3.98%	4.31%
Non-accruing loans	23,112	25,860	32,013
Non-accruing loans-to-total loans (%)	4.11%	3.98%	4.31%
ROPA – gross	3,485	905	1062
ROPA/total tangible assets (%)	0.25%	0.05%	0.05%
ROPA/total tangible equity (excluding intangibles and deferred tax assets) (%)	2.52%	0.43%	0.46%
Non-performing assets (NPL – net plus ROPA, gross)	27,362	28,315	36,731
Non-performing assets as a percentage of tangible assets (excluding intangibles and deferred tax assets) (per cent.)	1.52%	1.33%	1.69%
Allowance for impairment (total NPAs)	16,520	17,277	19,159
Allowance for impairment (loans)	14,607	15,832	18,316
Allowance for impairment (other ROPA)	1,913	1,445	843

Allowance for impairment (loans) as a percentage of total non-performing loans (%)	68.27%	69.18%	57.22%
Allowance for impairment (total) as a percentage of total non-performing assets (%).	58.94%	60.43%	51.64%
Total restructured loans	3,834	4,776	4,930
Classified as performing..	2,609	2,712	1,434
Classified as non-performing...	1,225	2,064	3,496
Restructured loans as a percentage of total loans (%)	0.68%	0.74%	0.66%
Allowance for impairment (total) as a percentage of non-performing assets and restructured loans classified as performing (%)	82.58 %	9 0.69%	78.88%
Allowance for impairment (total) as a percentage of non-performing assets and restructured loans classified as non-performing (per cent.) ...	88.71 %	9 3.88%	72.70%
Loans – written off	799	5,209	5,104

Loans are classified as non-accruing (or past due) if (i) any repayment of principal at maturity or any scheduled payment of principal or interest due quarterly (or longer) is not made when due; and (ii) in the case of any principal or interest due monthly, if the amount due is not paid and has remained outstanding for three months. In the case of (i), such loans are treated as non-performing if the payment is not made within a further 30 days. In the case of (ii), such loans are treated as non-performing upon the occurrence of the default in payment.

Loans which have been foreclosed or have been transferred to the Bank's ROPA account are no longer classified as NPLs. Accrued interest arising from loan accounts are classified according to the classification of their corresponding loan accounts except for those which remain uncollected after six months from the date such loans or instalments have matured or have become past due for which a 100.0% allowance is made for uncollected accrued interest receivables.

Sectoral Analysis of NPLs

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

	As of 31 December					
	2022		**2023**		**2024**	
	Amount in ₱ millions	**%**	**Amount in ₱ millions**	**%**	**Amount in ₱ millions**	**%**
Wholesale and Retail Trade; Repair Services, Personal & Household Goods...............	2,611	13	5,143	24	7,935	27
Manufacturing.....................	2,756	14	2,998	14	3,233	11
Real Estate and Development	1,001	5	1,353	6	1,353	5
Construction	681	3	896	4	2,574	9
Transport, Storage, Information Communication...................	913	5	834	4	757	3
Agriculture, Fishing, Forestry and Mining..........................	409	2	422	2	419	1
Electricity, Gas and Water....	225	1	198	1	183	1
Hotels and restaurants.........	177	1	172	1	90	0
Community, Social, Health and Personal Services	-	-	-	-	7	0
Financial Services................	23	0	2	0	19	0
Professional, Consultancy and other Business Services	33	0	22	0	273	1
Mining and Quarrying...........	-	-	4	0	4	0
Others	39	0	29	0	47	0
Education	0	0	0	0	0	0
Public Admin and Defense ...	-	-	-	-	-	-
Sub-total	**8,867**	**45**	**12,073**	**57**	**16,893**	**58**
Other Loans(1).....................	10,940	55	9,253	43	12,231	42
Total	**19,807**	**100**	**21,326**	**100**	**29,124**	**100**

(1) Other loans – Consumer Loans (Auto and Housing Loans), Credit Card Group (Credit Card, Personal and Salary Loans), DiskarTech Loans, Employee Loans

The Bank's gross NPLs on a consolidated basis represented approximately 2.44% of the Bank's total consolidated gross loan portfolio as of 31 December 2024. As of 31 December 2024, none of the Bank's loans to DOSRI were classified as NPLs.

Ten Largest NPLs

As of 31 December 2024, the Bank's ten largest NPLs accounted for 1.11% of its total loans to customers and 28.02% of its gross NPLs to customers. As of this same date, the Bank's exposure to its ten largest NPLs ranged from ₱333.69 million to ₱2.02 billion, and amounted to approximately ₱8.16 billion in aggregate.

Loan Restructuring

In order to manage its loan portfolio and reduce its exposure to NPLs, the Bank's practice is to restructure those classified loans which it considers suitable for restructuring. The Bank restructures loans on a case-by-case basis. Restructuring methods used by the Bank have included extending the maturity of loans beyond their original maturity date and providing for rescheduled payments of principal consistent with the expected cash flows of the borrower in question. The Bank has also agreed to debt-for-equity swaps, but rarely uses this as a restructuring solution. In certain instances, the Bank has also favorably considered discounted compromise loan settlement schemes, provided the corresponding net present value analysis results in better returns and risk considerations versus yields and risks posed by longer-term restructures or litigation.

In accordance with BSP guidelines, NPLs which are successfully restructured are considered to be current and are no longer treated by the Bank as non-performing, generally following continued payments of three to six amortizations. As of 31 December 2024, the Bank had a consolidated portfolio of approximately ₱4.9 billion of total restructured loans, including both performing and non-performing amounts.

The following table sets out the Bank's consolidated restructured loans for the specified periods:

	As of 31 December		
	2022	2023	2024
	(Amount in ₱ millions)		
Non-performing restructured loans..................................	1,225	2,064	3,496
Performing restructured loans	2,609	2,712	1,434
Balance at the end of the period.....................................	3,834	4,776	4,930

Foreclosure and Disposal of Assets

The Bank's preferred strategy for managing its exposure to NPLs that are secured is to restructure the payment terms of such loans. The Bank will only foreclose on mortgage securing an NPL if restructuring is not feasible or practical, or if the borrower cannot or will not repay the loan on acceptable terms. The Bank may also consider accepting a payment in kind (or *dacion en pago*) arrangement. Generally, the Bank will pursue foreclosure options if it concludes that no restructuring option is available after 45 to 60 days of negotiations. Foreclosure procedures may then require 30 to 60 days to complete, particularly considering legal procedures mandated by law.

The Bank's Remedial Management Division is responsible for the remedial management, loan restructuring and asset recovery activities of all potentially problematic and defaulted credits regardless of principal size. Once the mortgage over the collateral provided by either retail or corporate borrowers is foreclosed, the Bank's ROPA is turned over to and managed by the Asset Disposition Division for disposition while the Asset Management Support Division handles the documentation, administration and preservation requirements of the properties.

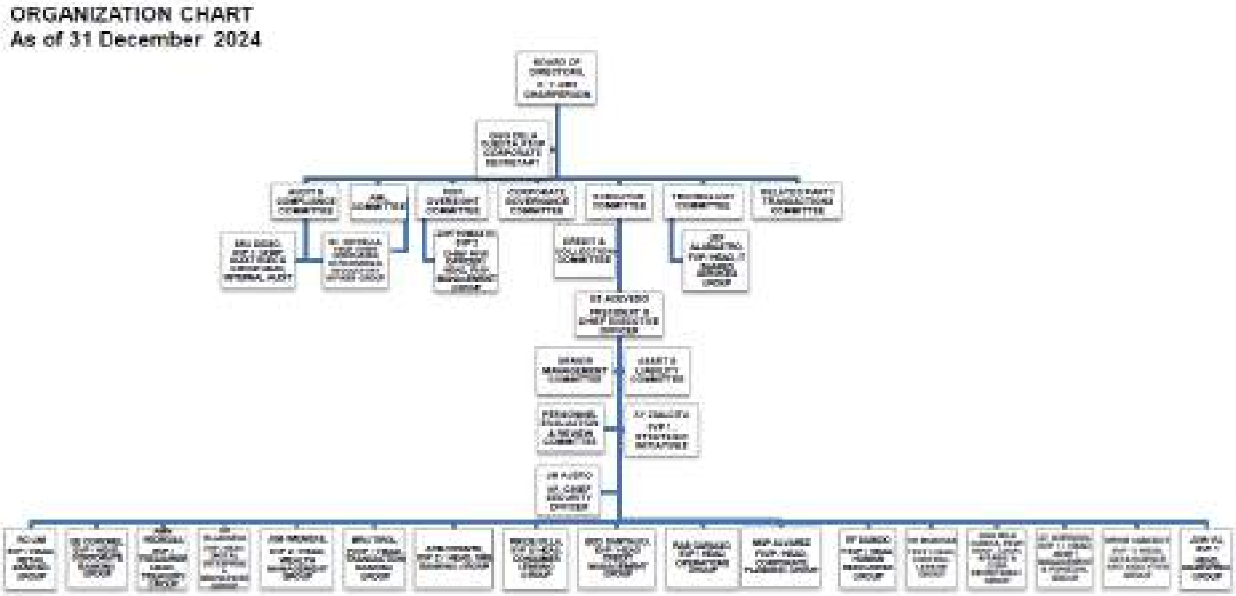
The Bank had a net ROPA of ₱3.41 billion, ₱0.84 billion and ₱1.06 billion as of 31 December 2022, 2023 and 2024 respectively. The total ROPA as of 31 December 2024 consisted of ₱0.44 billion of the Bank's holdings in shares of stocks and chattels and ₱3.62 billion represented the Bank's holdings in real property, which comprised 2,275 properties.

The Bank's valuation reserves on ROPA amounted to ₱3 million for the year ended 31 December 2024.

The Bank sells its ROPA through sealed bidding, public auctions and negotiated sales. Installment sales have a term of up to ten years and the Bank requires purchasers to make a forfeitable deposit of at least 10.0% of the sales price for negotiated sale and show money of ₱25,000 during auction sales. The Bank generally charges fixed interest of 10% to 12% per annum for the remaining term. Title to ROPA remains with the Bank until it receives full payment of the purchase price. Under ROPA sales contracts, if any installment payment falls in arrears, the purchaser is deemed to forfeit all of its prior payments and the Bank treats such prior payments as reductions in the book value of the ROPA.

The Bank experienced no default with respect to ROPA sold on an installment basis covering ROPA sales from 1 January to 31 December 2024. For the year ended 31 December 2024, the Bank sold ₱316 million of ROPA.

MANAGEMENT, EMPLOYEES AND SHAREHOLDERS



Directors and Executive Officers

The names and positions of all the Bank's directors are as follows:

Ms. Helen Y. Dee is the Bank's Chairperson. Ms. Dee is also the Chairperson of House of Investments, Inc. and Petroenergy Resources Corporation, all of which are PSE-listed companies. She is also the Chairperson of Pan Malayan Management and Investment Corporation, Malayan Insurance Co. Inc., Landev Corporation, Hi-Eisai Pharmaceutical Inc., Malayan Educational Systems, Inc. and Manila Memorial Park Cemetery. Among the top companies where she holds a directorship position are Philippine Long Distance Telephone Company and Sun Life Grepa Financial, Inc. She graduated from Assumption College with a Bachelor of Science degree in Commerce and completed her Master's in Business Administration at De La Salle University.

Mr. Cesar E. A. Virata has been a Director since 1995, Corporate Vice Chairman since June 2000 and Senior Adviser from 2007. Mr. Virata's roster of companies where he is also a Director and/or Chairman includes, RCBC Realty Corp., RCBC Land, Inc., Malayan Insurance Co., Inc, Business World Publishing Corporation, RCBC Bankard Services Corporation, and AY Foundation, Inc., among others. Mr. Virata has held important/key positions in the Philippine Government, including Prime Minister, Secretary/Minister of Finance, Chairman of the Committee on Finance of the Batasang Pambansa (National Assembly) and member of the Monetary Board. He was Chairman of the Board of Investments, Undersecretary for Industry. He was also Chairman of the Land Bank of the Philippines and the Philippine National Bank. He has served as Governor for the Philippines to the World Bank, the Asian Development Bank and the International Fund for Agriculture Development. He was Chairman of the Development Committee of the World Bank and the International Monetary Fund from 1976 to 1980 and Chairman of the Board of Governors of the Asian Development Bank. Prior to his Government positions, he was a Professor and Dean of the College of Business Administration of the University of the Philippines and Principal, SyCip Gorres Velayo and Company, Management Services Division. Mr. Virata has also held membership of various international committees in the past, including: the Bretton Woods Committee, the Group of 30, the Institute of International Finance, the Rockefeller Tripartite Commission for Asia, the Davao Forum, the World Development Committee of the World Bank and IMF, and the ADB Forum. Mr. Virata graduated from the University of the Philippines with degrees in Mechanical Engineering and Business Administration (Cum Laude). He completed his Master's in Business Administration from the Wharton Graduate School, University of Pennsylvania.

Mr. Eugene S. Acevedo is the Bank's President and Chief Executive Officer. A banking veteran with over 37 years' experience in the industry, he began his career at Citibank, where he later became Managing Director and Country Treasurer for the Philippines and then Hong Kong. He later led the rapid business and financial growth of three other commercial and thrift banks, including the Philippine National Bank, where he was President and CEO. He graduated with a Bachelor of Science in Physics, magna cum laude, from the University of San Carlos, where he now serves as a member of the Board of Trustees. He received his MBA from the Asian Institute of Management, where he now serves as Vice Chairman of the Board of Trustees. He also completed the Advanced Management Program at the Harvard Business School. He also holds a Professional Certificate in Clean Power from Imperial College London, Digital Marketing from The Wharton School, and Customer Experience from The CX Academy (Ireland).

Mr. Armando M. Medina was an Independent Director of the Bank from 2003 to 2020. He became a regular director of the Bank starting 1 January 2021. He is a member of the Bank's Executive Committee. He served as an Independent Director of RCBC Capital Corporation until 31 December 2021 and was an Independent Director of Malayan Insurance Co. Inc. until September 2023. He graduated from De La Salle University with a Bachelor of Arts degree in Economics and a Bachelor of Science degree in commerce with a major in Accounting.

Mr. John Law has been a Director of the Bank since April 2015. He is also currently a Director of Far East Horizon Ltd. in Hong Kong and Khan Bank in Mongolia. He served as Senior Advisor for Greater China for Oliver Wyman from January 2013 through 31 December 2020. He holds a Bachelor of Science degree, major in Psychology, from Chung Yuan University in Taiwan; a Master's of Business Administration degree from Indiana University; and Master of Arts degree, major in Poetry, from the University of Paris, France.

Mr. Shih-Chiao (Joe) Lin has been a Director of the Bank since 25 March 2019. He has been with Cathay Life Insurance for over 20 years and is currently an Executive Vice President there. He graduated with a Bachelor's degree in Business Administration from the National Chengchi University and holds an MBA from the National Taiwan University.

Ms. Gayatri P. Bery has been a Director of the Bank and Risk Oversight Committee member since July 2020. She most recently served as Chief Operating Officer, Asia Pacific Global Capital Markets at Morgan Stanley (Hong Kong) where she was also a member of the Steering Committee of Morgan Stanley's HK Women's Business Alliance Team. Her past work experiences include being an investment adviser in Hong Kong and roles at Morgan Stanley & Co. Incorporated (New York), Ranieri & Company (New York), and Drexel Burnham Lambert (New York). She graduated with a Bachelor of Science degree in Applied Mathematics/Computer Science from the Carnegie Mellon University, and obtained a Master's degree in Business Administration (Beta Gamma Sigma) from the Columbia Business School (New York). In 2023, she was installed as a Qualified Risk Director® after being awarded a Certificate in Risk Governance® from the DCRO Institute.

Mr. Hiroki Nakatsuka was an Advisory Board Member of the Bank from 2021 until July 2023 and, after that became a Director and a Member of the Executive Committee of the Bank. He has been with Sumitomo Mitsui Banking Corporation (SMBC) for over 30 years and is currently the Managing Director of the Asia Growing Markets Department of SMBC. He used to be the General Manager of the Manila branch and the Chief Representative of the Manila Representative Office of SMBC. During his stay in Manila he was also a director of the Bankers Association of the Philippines. He was a guest professor of Kindai University from 2010 until 2012. He graduated with a Bachelor's degree in English from Kansai Gaidai University. He finished the BIPA Programme (Indonesian Language Programme) at Universitas Indonesia.

Mr. Katsufumi Uchida has been a Director of the Bank since 31 July 2023. He currently holds positions in SMBC as Managing Executive Officer and Co-Head of APAC Division. He also serves as Managing Executive Officer of SMFG. He joined SMBC in 1990 and has spent over 19 of his more than 30 years with the company outside Japan, including Brussels, Hong Kong, Singapore and London, assuming various leadership roles. He graduated from the School of Political Science and Economics, Waseda University.

Mr. Juan B. Santos has been an Independent Director of the Bank since November 2016. He serves as Lead Independent Director of the Bank. He holds director, trustee and advisory positions in various companies, including St. Luke's Medical Centre, PHINMA Corporation, Sun Life Grepa Financial, Inc., and Allamanda Management Corporation, among others. Prior to joining the Bank, he was the Chairman of the Social Security Commission. He served briefly as Secretary of Trade and Industry and was CEO and Chairman of Nestle Philippines, Singapore, and Thailand. He has also served as Director of various publicly listed companies, including the Philippine Long Distance Telephone Company, Philex Mining Corporation, San Miguel Corporation, Equitable Savings Bank, Inc., and PCI Leasing and Finance, Inc. He holds a Bachelor of Science in Business Administration degree from the Ateneo de Manila University and a degree in Foreign Trade from the Thunderbird School of Management in

Arizona, USA. He completed his Advanced Management Course at the International Institute for Management Development in Lausanne, Switzerland.

Mr. Gabriel S. Claudio has been an Independent Director of the Bank since July 2016. He has directorships in Ginebra San Miguel, Incorporated, Risk & Opportunities Assessment Management, Conflict Resolution Group Foundation (**CORE**) and Toby's Youth Sports Foundation. He served as political adviser to former presidents Fidel V. Ramos and Gloria Macapagal-Arroyo and held various positions in the Cabinet and government, including Presidential Political and Legislative Adviser, Chief of the Presidential Legislative Liaison Office, Cabinet Officer for Regional Development for Eastern Visayas, and Acting Executive Secretary. He had previously served as Director of the Philippine Amusement and Gaming Corporation (**PAGCOR**), Chairman of the Board of Trustees of the Metropolitan Water and Sewerage System, Director of the Development Bank of the Philippines, and Director of the Philippine Charity Sweepstakes Office. He holds an AB Communication Arts degree from the Ateneo de Manila University.

Mr. Vaughn F. Montes, Ph.D. has been an Independent Director of the Bank since September 2016. He is a former Trustee at the Institute of Corporate Directors (**ICD**) as well as a current Teaching Fellow on Corporate Governance courses of the ICD. He is a Director of the Center for Excellence in Governance, and President of the Center for Family Advancement. He was a national consultant for Risk Management to the NEDA PPP Center under an ADB technical assistance grant from December 2011 to October 2022. He is a Trustee and Founding Fellow of the Foundation for Economic Freedom. He is an Adjunct Faculty member at the Asian Institute of Management. He is also currently a Trustee at Parents for Education Foundation ("**PAREF**"), and Chairman and President at PAREF Southridge School for Boys. He worked in Citibank over a period of 25 years in various capacities including: Senior Economist in Philippine Debt Restructuring Committee; Head of the International Corporate Finance Unit; and Director and Head of Public Sector. He worked as an Associate Economist at the Wharton Econometric Forecasting Associates in Philadelphia USA. He holds an AB (Bachelor of Arts) Economics degree from the Ateneo de Manila University, an MS (Master of Science) Industrial Economics degree from the Center for Research and Communications (now University of Asia and the Pacific), and a PhD in Business Economics from the Wharton Doctoral Programs, University of Pennsylvania, USA

Mr. Laurito E. Serrano has been an independent director of the Bank since March 2019 and likewise an independent director of RCBC Trust Corporation since January 2024. Mr. Serrano was part of the Audit & Business Advisory Group and was a partner of SGV & Co – Corporate Finance Consulting Group. He is currently in the financial advisory practice, with clients mostly in the private sector. He also concurrently serves as an independent director of Axelum Resources Corp., Belle Corporation, Anglo Philippine Holdings Inc, Premium Leisure Corporation and a director of MRT Development Corporation. Mr. Serrano's past experiences include, among others, directorships in 2Go Group, Inc., Pacific Online Systems, Inc., Atlas Mining & Development Corporation, Metro Global Holdings Group, Fil-Estate Group, Metro Rail Transit Group, Travellers Hotels Philippines, Inc. (Resorts World), MJCI Investments, Inc., United Paragon Mining Corp., Sagittarius Mining Corporation, and Philippine Veterans Bank. Mr. Serrano holds a Bachelor of Science degree in Commerce (major in Accounting) from the Polytechnic University of the Philippines and has a Master's in Business Administration degree from the Harvard Graduate School of Business.

Dr. Erika Fille T. Legara has been an independent director of the Bank since July 2022. She is a scientist, educator, and adviser specializing in data science and artificial intelligence (AI), as well as data and AI strategy, governance, infrastructure, and education. She is an International Association of Privacy Professionals (IAPP) Certified AI Governance Professional. She currently serves as the Managing Director and Chief AI and Data Officer for the Department of Education (DepEd) Center for AI Research (E-CAIR, previously CAIR under the DTI), fulfilling her responsibilities as a Consultant through non-profit organization SEAMEO Innotech, a DepEd partner. At the Asian Institute of Management (AIM), Dr. Legara holds two key positions: Associate Professor of Data Science (on leave) and Aboitiz Chair in Data Science. Previously, she was a scientist at A*STAR in Singapore, where she collaborated with government institutions and industry leaders on various Research and Development initiatives. Dr. Legara graduated cum laude with a Bachelor of Science degree in Physics from the University of the Philippines, Diliman, where she also earned her Master's and PhD in Physics. She furthered her education by completing the Leading Smart Policy Design programme at the J.F. Kennedy School of Government, Harvard University, Executive Education in 2021, and the Ethics for AI programme at the London School of Economics and Political Science in March 2023. In 2024, she completed the AI Governance Professional training under the International Association of Privacy Professionals.

The Directors of the Bank are elected at the annual shareholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Ms. Helen Y. Dee and Mr. Xavier Y. Zialcita are relatives within the third degree of consanguinity.

Board Committees

The Bank's Board of Directors has created each of the following committees and appointed Board members thereto. Each member of the respective committees named below has been holding office as of the date of this Offering Circular and will serve until his successor shall have been elected and qualified.

Executive Committee

The Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between Board of Directors meetings. It may also consider and approve loans and other credit related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the Bank's portfolio. In addition, the Executive Committee has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

Risk Oversight Committee

The Risk Oversight Committee oversees the system of limits to discretionary authority that the Board of Directors delegates to Management. It ensures that the system remains effective, that limits are observed and that immediate corrective actions are taken whenever limits are breached. It likewise enables the Board of Directors to establish the Bank's risk tolerance within a risk-reward framework and ensures that a risk management strategy is in place that adheres to this framework.

Audit and Compliance Committee

The Audit and Compliance Committee oversees the Bank's financial reporting and control, and internal and external audit functions. It is responsible for the establishment of the Bank's internal audit department and for the appointment of the Bank's internal auditor and independent external auditors. It is responsible for ensuring that a review of the effectiveness of the Bank's internal controls, including financial, operational, and compliance controls, and risk management, is conducted at least annually.

Anti-Money Laundering Committee

The AML Committee oversees the implementation of the Bank's AML and terrorist financing prevention programme and ensures compliance thereof. It also ensures that infractions are immediately corrected, issues are addressed and AML training for officers and staff are conducted.

Personnel Evaluation and Review Committee

The Personal Evaluation and Review Committee acts as an independent body in the evaluation and review of cases involving dishonesty, fraud, and negligence, violation of any internal Bank policy, rule or procedure committed by an employee of the Bank.

The Personal Evaluation and Review Committee recommends disciplinary measures and penalties to the Board of Directors to be meted out in the case of violations. It has the power to affirm review, revise, or modify any resolution arrived at or action taken by management against employees with administrative cases.

Corporate Governance Committee

The Corporate Governance Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. The Corporate Governance Committee reviews and evaluates the qualifications of all persons nominated to the Board of Directors as well as those nominated to other positions requiring appointment by the Board of Directors. It is responsible for ensuring the Board of Directors' observance of corporate governance principles and guidelines, including those set forth in the Bank's Manual of Corporate Governance. It also sets compensation for the Board of Directors and Executive Officers and makes recommendations to the Board of Directors regarding the continuing education of directors, assignments to Board committees, and succession plans for Board members and senior officers.

Related Party Transactions Committee

The RPT Committee evaluates existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties are captured. Material RPTs are evaluated to ensure that such transactions are not undertaken on more favorable economic terms than similar transactions with nonrelated parties under similar circumstances, and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. The RPT Committee also ensures that appropriate disclosure is made to regulating and supervising authorities, report is made to the Board on a regular basis, and that transactions are subject to periodic independent review. It oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Technology Committee

The Technology Committee oversees the Bank's hardware and software purchases, monitors performances of various IT applications of the Bank and the status of various IT projects.

Executive Officers

The names and positions of all the Bank's executive officers are as follows:

Eugene S. Acevedo is the Bank's President and Chief Executive Officer. He joined the Bank on January 2, 2019, as Deputy Chief Executive Officer. Mr. Acevedo has over thirty seven (37) years of solid banking experience which he gained from local and multinational banks. With his expertise in strategy formulation, business development, origination, relationship building, cost reduction and risk control, he has successfully handled challenging roles and led sales and revenue generating teams in the said banks. His exposure focused on the following areas: Corporate Banking, Retail Banking, Treasury, Trust, Consumer Finance, Marketing, Credit and Remittance.

He was last connected with Union Bank of the Philippines where he was a Senior Executive Vice President for Corporate and Retail Banking from November 2011 to Nov 6, 2018. In a concurrent capacity, he served as the Chairman of CitySavings Bank, Unionbank's thrift bank subsidiary from March 2013 to Nov 6, 2018. Prior to this, he was the President and Chief Executive Officer/Vice Chairman of the Board of the Philippine National Bank from May 2010 to July 2011.

He gained most of his banking experience at Citigroup (1987-2010) where he started as a Management Associate for Citibank Philippines, N.A. in 1987. The following are the various roles he handled in the said institution: Managing Director and Head of Global Markets-Hong Kong and Taiwan Cluster; Country Treasurer-Hong Kong; Managing Director, Country Treasurer & Head of Emerging Markets Sales and Trading; Director/Asia Pacific Regional Derivatives Sales Head; Head of Sales and Structuring/Vice President; Vice President for Derivatives Marketing–Asia; Assistant Vice President for Corporate Audit-North Asia; Manager/Assistant Vice President-Money Market, Foreign Exchange, Bond Trading and Derivatives Trading; and Operations Officer.

During his stints with the banks, he also concurrently performed significant roles for subsidiaries and actively participated in community and industry affairs.

Mr. Acevedo is a Magna Cum Laude graduate from the University of San Carlos where he earned a degree in Bachelor of Science in Physics in 1984. He finished his Master of Business Administration, ranking first in the graduating class in 1987, at the Asian Institute of Management. He completed an Advanced Management Program at the Harvard Business School in 2014.

Reginaldo Anthony B. Cariaso**,** Deputy Chief Executive Officer. He has twenty eight (28) years of experience gained from local and overseas firms focused on Transaction Banking, Remittance & Funds Transfer, Special Accounts Management (NPLs), Strategy Management & Marketing, and Systems & Project Development as well as Investment Banking particularly in equity capital market transactions, debt capital raising and M&A transactions. Prior to joining our Bank, he was the Head of Institutional Banking Strategy, Products and Support Group/Senior Vice President at the Bank of the Philippine Islands. Positions held in other financial firms are as follows: President of BPI Capital Corporation (2013-2019), Executive Director of Nomura International, Hong Kong (2009-2012), Executive Director of J.P. Morgan, Hong Kong; Junior Research Management Staffer (1996-2008). He served the United States Navy under the Submarine Force as Lieutenant from 1990-1996. He is a graduate of the University of Pennsylvania, Philadelphia where he obtained a degree in Bachelor of Arts in Chemistry in 1990.

Elizabeth E. Coronel, Executive Vice-President, is the Head of Institutional Banking Group. She has thirty five (35) years of banking experience. She joined RCBC in June 2013 as Senior Banker and Head of Conglomerate Banking Division. She was assigned as Segment Head of Conglomerates and Global Corporate Banking, a role which she performed in August 2014 until she was appointed as Group Head in June 2018. Previously, she was the Senior Vice-President and Chief Operations Officer of Equicom Savings Bank, a position she held for more than five years. She also held various positions in local and foreign banks namely Mizuho Corporate Bank as Vice President and Co-Head of Corporate Finance Department (January 2007 to February 2008), Equitable PCIBank as Vice-President and Head of Corporate Banking Division 4 (1996-2007) and Citibank as Relationship Manager of Global Consumer Bank (1993-1996). She started her career in the banking industry when she joined RCBC in 1989 as Marketing Assistant for Corporate Banking. Ms. Coronel obtained her Bachelor of Arts degree in Behavioral Science from the University of Santo Tomas and earned MBA units from the Ateneo Graduate School of Business. She also completed the Mizuho-ICS (MICS) Mini-MBA program at Hitotsubashi University Graduate School of International Corporate Strategy.

Richard C. Lim, Executive Vice President, is the Head of Retail Banking Group. He has thirty two (32) years of banking experience. Prior to his current role, he was seconded to RCBC Savings Bank as Chief Operating Officer. Mr. Lim previously worked with Maybank Inc. The last position he held in the said bank was Head of Retail Banking. He also handled the following roles in the said bank: Head of Retail Marketing Management, Assistant Vice President for Cash Management Services, Head of Consumer Sales Department, and Cluster Head for Binondo Manila area. He also had stints with other banks namely, Philam Bank-AIG where he worked as Manager for Binondo Branch, International Exchange where he functioned as Assistant Manager/Sales Officer, Banco De Oro where he was a Marketing Officer, Urban Bank where he performed the role of a Marketing Associate, and Chinabank where he was designated as Officer's Assistant at Cash Department. He graduated from the University of Santo Tomas in 1991 with a degree in Bachelor of Science, major in Biology.

Alberto Magno N. Pedrosa**,** Executive Vice President, is currently the Treasurer and Head of Treasury Group. He has thirty one (31) years of professional experience gained from financial and banking firms. Prior to his appointment for this role on 04 March 2022, he was Head of Asset and Liability Management in the Treasury Group. He handled other roles in the bank as the Head of Balance Sheet Management and Investment & Markets Trading Group from July 2017 to April 2019; Head of Investment and Markets Trading Segment from July 2013 to June 2017 and Investment Portfolio Management Division Head from August 2009 to June 2013. He has previous employment with other financial institutions where he handled significant roles as Vice-President and Head of Global Liquid Products Trading for JG Summit Capital Markets (2000-2008), Assistant Vice-President of Asset and Liquidity Management & Investment and Trading for PCIBank (1995-2000) and Senior Assistant Manager and Junior FX Trader for the Bank of the Philippine Islands (1993-1995). Mr. Pedrosa started his career when he joined BPI's Officer Training Program in 1993. He completed his Bachelor of Science degree in Commerce major in Philosophy at the London School of Economics.

Bennett Clarence D. Santiago, Executive Vice President, is the Chief Risk Officer and Head of Risk Management Group. He has over twenty-one (21) years of professional experience in risk management with significant years focused on commercial credit risk management and evaluation as well as enterprise risk management. Prior to joining RCBC, he was the Business Head for Small Business Loans in the Consumer Lending Group of Banco De Oro Unibank. His experiences also include serving as Head, Commercial Banking Credit Evaluation Unit, Risk Management Group of BDO; Risk Head of Citibank N.A.; Chief Compliance Officer, Union Bank of the Philippines; and various officer positions in International Exchange Bank, Globe Telecom Inc., and Hongkong and Shanghai Banking Corporation. He graduated from the University of the Philippines in 1991 with a Bachelor of Science degree in Business Administration. He finished his Master of Business Administration in 2001 at Ateneo Business School.

Angelito M. Villanueva, Executive Vice President, is the Bank's Chief Innovation and Inclusion Officer/Head of Digital Enterprise and Innovations Group. He has thirty one (31) years of professional experience. Prior to joining RCBC, he pioneered the financial technology business in firms such as PLDT Group and was among the founding executives of PayMaya wallet. He was the Managing Director of FINTQnologies Corp, the financial technology (FinTech) arm of Voyager Innovations from June 2013 to March 31, 2019. He was also a Member of the Board of

Directors in FINTQnologies (June 2017 to March 2019) and FINTQSurelite Insurance Agency (June 2017 to March 2019).

His previous stints include the following roles in various institutions and organizations: Founder and Lead Convenor of KasamaKa Financial Inclusion Movement (September 2017 to March 31, 2019); Head, Customer Strategy and Market Activation, Visa, Nov 2011-Jan 2013; Short-term Consultant on Mobile Money Transfer in Mongolia at IFC World Bank Group, Aug 2011-Dec 2011; Monitoring and Evaluation (M&E) Consultant at Department of Social Welfare and Development-World Bank, March 2011-February 2012; VP and Head, Mobile Financial Services-Smart Communications, Inc., Feb 2007-Jan 2009; Regional Manager for Marketing and Special Projects for APAC and EMEA at BCD Travel 2003 -2006; Executive Director and VP at Luntiang Pilipinas (Green PH) Foundation, Inc. 2000-2003; Chief of Division, Overseas Correspondent Banking Department, Global Banking Group at Land Bank of the Philippines, 1995-2000; Senior Research Associate and Associate Editor at Economist Intelligence Unit (EIU) Phils., 1993-1995. Mr. Villanueva graduated from the University of Santo Tomas in 1992 with a degree in Bachelor of Arts in Political Science. He completed a Master of National Security Administration at the National Defense College of the Philippines in 2000. He also finished his Master of Public Administration as Magna Cum Laude at the University of Santo Tomas in 2000.

Ma. Christina P. Alvarez, First Senior Vice-President, is the Head of Corporate Planning Group. She has thirty three (33) years of professional experience gained from the financial and banking industry. Prior to assuming her current position, she was the OIC of Corporate Planning Group from October to December 2014 and the Financial Planning and Development Division Head from August 2006 to September 2014. She worked with various institutions in the following capacities: Financial Planning Officer at Banco de Oro from July 2005 to July 2006, Corporate Planning Officer at RCBC from 1999 to 2005, Risk Management and Planning Officer of Malayan Bank from 1998 to 1999, Research Officer of Unicapital, Inc. from 1995 to 1996 and Credit/Financial Analyst of Multinational Investment Corporation from 1991 to 1995. Ms. Alvarez graduated from Ateneo de Manila University in 1991 with a Bachelor of Arts degree in Management Economics. She earned her Master of Business Management degree from the Asian Institute of Management in 1998.

George Gilbert G. Dela Cuesta, Filipino, First Senior Vice President, is the Head of the Legal Affairs and Corporate Secretariat Group and the Bank's Corporate Secretary. He has thirty two (32) years of legal experience. He joined RCBC in November 2016 as Deputy Head for Legal and Regulatory Affairs Group. Previously, he was Head of Legal for Asian Terminals for more than seven (7) years. He previously worked also as General Counsel for Hanjin Heavy Industries & Construction Co. Ltd. and for Mirant (Phils) Corporation. He had previous consultancy engagements and employment with Follosco Morallos & Herce Law Office, PNOC-EDC and at the Department of Environmental and Natural Resources. He started his career at Quisumbing and Torres. Atty. dela Cuesta graduated from the University of the Philippines in 1988 with a degree in Bachelor of Arts major in Political Science. He earned his Law degree from the same university in 1992.

Brent C. Estrella, Filipino, First Senior Vice President for Control and Governance Transformation. He has sixteen (16) years of compliance and risk management experience which he gained from the Hong Kong and Shanghai Banking Corporation (HSBC) across various jurisdictions in Southeast Asia (the Philippines), the Middle East (UAE) and Sub-Saharan Africa (Mauritius). He is a Certified Anti-Money Laundering Specialist, with broad experience in supporting multiple lines of business specifically Wealth and Personal Banking, Commercial Banking, and Global Banking and Markets. Prior to joining RCBC, he was the Senior Vice President and Country Head for Financial Crime Compliance and an Executive Committee member at Hong Kong and Shanghai Banking Corporation (HSBC) – Philippines. He has handled this role since October 2018. He handled other positions prior his current post as follows: HSBC Mauritius (April 2016 to October 2018) as Chief Compliance Officer/Executive Committee Member; HSBC United Arab Emirates (December 2012 to April 2016) as Country Head of AML and UAE Money Laundering Reporting Officer, Regional Manager, Global Banking and Markets Compliance Advisory; HSBC Philippines (September 2004 to December 2012) as Vice President, Compliance & Money Laundering Control Officer, Assistant Vice President, Fraud Risk Management, Security and Fraud Risk, Supervisor, Legal and Compliance, and Compliance Staff for Legal and Compliance. He graduated with a degree in Bachelor of Science in Legal Management (Academic Scholar) from the Ateneo De Manila University in 2004.

Florentino M. Madonza, First Senior Vice-President, is the Head of Controllership Group. He has thirty one (31) years of professional experience. Prior to assuming his current role, he was the Deputy Group Head of Controllership from August 2014 to October 2014, General Accounting and Services Division Head from July 2004 to July 2014, General Accounting Department Head from September 2001 to July 2004, Assistant to the Department Head of General Accounting from January 1998 to September 2001, Asset Management and Sundry Section Head from

September 1997 to December 1997 and Corporate Disbursement and Payroll Section Head from June 1996 to September 1997. Prior to joining the Bank, he worked for Sycip, Gorres, Velayo and Co. from July 1993 to May 1996 as Auditor. Mr. Madonza completed his Bachelor of Science in Commerce major in Accounting (Cum Laude) from the Araullo University and is a Certified Public Accountant.

Rowena F. Subido, First Senior Vice-President, is the Head of Human Resources Group. She has more than thirty six (36) years of HR management experience in both local and multinational institutions. She was initially appointed as Deputy Group Head of Human Resources prior to assuming her current role. Prior to joining the Bank, she worked with Citibank, N.A. as Senior Vice President/Country Lead Human Resources Generalist, prior to which she was Senior Vice President and Head of Human Resources for the Institutional Clients Group for almost two years. She has also worked with Citifinancial Corporation, the Consumer Finance Division of Citigroup, as its Vice President and Human Resources Head for four years. She also has HR experience in retail, distribution and manufacturing industries, having worked for California Clothing Inc. where she was Human Resources Head, International Marketing Corporation as Division Manager for Human Resources & Operations, Tricom Systems (Philippines), Inc. as Personnel and Administration Officer and Seamark Enterprises, Inc. as a Personnel Officer. Ms. Subido obtained her Bachelor of Science degree majoring in Psychology from the University of Santo Tomas and earned units in Master in Psychology major in Organizational /Industrial Psychology at De La Salle University.

Martin Roberto G. Tirol, First Senior Vice President, is the Head of Transaction Banking Group. He was initially hired by the Bank in October 2022 as Deputy Group Head for Global Transaction Banking. He has thirty (30) years of experience focused on transaction banking and corporate coverage work experience gained from the banking sector. He was able to gain vast customer relationships with multinational and large local corporate customer segments, significant experience in leadership roles, received local and regional citations in recognition of outstanding contributions to strengthening customer relationships and completed relevant training and certifications. Before joining RCBC, he was connected with Deutsche Bank AG, Manila Branch as Head of Transaction Banking/Director. Prior to assuming this role in January 2021, he was Head of Global Subsidiary Coverage/Director from June 2018 to December 2020.

His employment stints include the following: Head of Transaction Banking Group/Head of Transformation Group in Maybank Philippines, Inc; Head of Cash Management Department at Philippine National Bank; Head of Trade Finance Department in Australia and New Zealand Banking; Vice President for Global Transaction Services in Citibank, N.A. and Assistant Vice President; Assistant Vice President for Cash Management, Trade and Supply Chain Sales at Standard Chartered Bank; Management Associate for Global Consumer Banking at Citibank, N.A. and Marketing Assistant of Institutional Banking Group at Rizal Commercial Banking Corporation.

He graduated in 1994 from Ateneo de Manila University with a degree in Economics. In 1997, he was able to complete a Master of Science in Management from Arthur D. Little School of Management in Boston.

Ramil M. De Villa, Senior Vice President 2, is the Head of Consumer Lending Group. He has twenty five (25) years of professional experience. Prior to this appointment, he was Head of the Consumer Collection Segment in Credit Management Group. Before he joined RCBC, he was connected with Maybank Phils, Inc as Head/Senior Vice President of Asset Quality Management in Consumer Finance. Prior to assuming this in July 2019, he was Head of Asset Quality Management in Group Finance with the rank of Vice President from 2017 to June 2019. He started his employment with the said bank in 2014 as Head of Asset Quality Management with the rank of Senior Assistant Vice President. He previously worked with Premier Development Bank where he was initially hired in February 1999 as Legal Assistant/Officer. He left the said bank in December 1999 to work in a law office and joined the same bank again in 2001. During this second employment, he was assigned to handle the following roles: Head of the Documentation Unit of Legal Services Department from 2007 to 2012 and Litigation Lawyer of Legal Department from 2001 to 2007. He also gained legal experience from Demetria Escondo Maloloyon Law Offices where he was a Senior Associate from 1999 to 2001. He graduated with a degree in Bachelor of Laws (LLB) from the University of Santo Tomas, 1997. He finished his undergraduate studies, Bachelor of Arts major in Philosophy in 1993 from the same university. He passed the Philippine Bar Exams on September 1998.

Juan Gabriel R. Tomas IV, Senior Vice President 2, is the Head of the Operations Group. He has thirty (30) years of professional experience. Prior to assuming his current role, he was under Operations Group as Head of the Customer Service Support Segment. His experiences include serving as Head of Capital Markets and Custody, Operations Group (2012-2016), Citibank N.A., Head of Treasury Services Unit, Citibank N.A (2008-2011)., Production Officer for Treasury Services Unit, Citibank (2001-2007), Consultant for Controllers' Department, Deutsche Bank AG Manila (2001), and Consultant, for Process Competency Group at Accenture (formerly Andersen Consulting), from 1994 to

1999. Mr. Tomas graduated from Ateneo de Manila University in 1993 with a Bachelor of Science degree in Management. He completed his Master of Business Management major in Finance in 2001 at the Asian Institute of Management.

Anna Christina M. Vicente, Senior Vice President 1 is currently the Group Head of SME Banking. She has thirty eight (38) years of professional experience gained from banking and financial institutions. Prior to her current assignment, she was seconded as President and Chief Executive Officer of RCBC Leasing and Finance Corporation. Prior to her secondment to this subsidiary in June 2021, she was a Segment Head in Small and Medium Enterprises Banking Group and a Division Head for North Metro Manila, a position which she has held since hired in June 2016. She gained her banking experience and acquired competencies in the various roles she handled in her employment with other banks. Her banking stints include the following: Head for Business Banking in Retail Banking Group at Maybank Philippines; Team Head of Metro Manila, Corporate & Commercial Banking Division, Head, Credit Control Division, Department Head, Supervised Credit Division, Account Officer, Institutional Recovery Management Division, Account Officer, Corporate Banking Division at United Coconut Planters Bank; Manager of Branch Banking Group I at Bank of Commerce; Manager for Commercial Loans at UCPB Savings Bank and Staff Assistant, Retail Banking Group-Marketing Division, Loans Assistant, Greenhills Branch, Credit Analyst Trainee, Credit Division and Money Market Trader, Greenhills Branch at Far East Bank and Trust Company.

Ms. Vicente graduated from Ateneo de Manila University in 1986 with a degree in Bachelor of Arts major in Interdisciplinary Studies. (*Resigned effective January 1, 2025)*

Jacqueline Grace B. Wieneke, Senior Vice President 2, is the Head for Wealth Management Group. She was initially hired in October 2023 as Group Head Designate. She has thirty one (31) years of significant experience, with expertise in wealth management and retail banking. Her professional years were largely spent at Citibank N.A. where she acquired competencies in setting up a premier team, revenue generation, client acquisition and relationship management, cross-selling of credit, investment and insurance products, asset sales and project transformation. Prior to joining RCBC, she was connected with Maybank Philippines, Inc. as Head of Wealth Management and Bancassurance (2019-2023). During her stint with Citibank, N.A., she handled positions as follows: Branch Manager (2004-2018); Senior Citigold Relationship Manager (1999-2004); and Senior Personal Banker (1993-1999). She graduated Cum Laude with a degree in Bachelor of Science in Commerce major in Marketing from Assumption College in 1992.

Ma. Pamela Katrina M. Cabudoy, Senior Vice President 1, is the Head of Data Science and Analytics Group. She has twenty six (26) years of professional experience. Prior to joining the Bank, she was connected with Globe Telecom as Director for Advanced Analytics, Enterprise Data Office from September 2017 up to her separation from the said company in 2022. She also served as a Director for Customer Data Analytics for the Marketing Services Hub of the same company from April 2021 to December 2021. She previously worked at SAS Institute Philippines, Inc. where she was assigned with the following roles: Head of Solutions and Practices, Presales Manager from April 2014 to September 2017; Customer Intelligence Practice Lead from April 2007 to April 2014; Principal Consultant from June 2005 to April 2007; Senior Consultant/Project Manager from June 2001 to June 2005; and Associate Consultant from June 1998 to June 2001. She graduated with a degree in Bachelor of Science in Statistics in 1998 from the University of the Philippines in Diliman.

Sheila Ricca G. Dioso, Senior Vice President 1, is the Chief Compliance Officer. She has nineteen (19) years controllership and auditing experience. Prior to joining the Bank, she was connected with R. G. Manabat and Co. (KPMG in the Philippines) as Partner for Audit Services, a position she held since October 2019 up to her separation from the firm in 2022. Prior to assuming this role, she was a Director for Advisory Services from June 2017 to September 2019.

She had previous employment with the following firms: Suyen Corporation where she worked as Finance Controller from February 2014 to May 2017; Ernst & Young Singapore where she served as a Manager for Audit Services from November 2008 to February 2014; and SGV & Co. where she was employed as Senior for Audit Services from November 2005 to October 2008.

Ms. Dioso graduated with a degree in Bachelor of Science in Business Administration and Accountancy at the University of the Philippines in 2005. She passed CPA Licensure Examination in November 2005.

Xavier Y. Zialcita, is a Senior Vice President 1, for Strategic Initiatives. He has over twenty six (26) years of professional experience with particular focus on investment banking. Prior to joining the Bank, he was Senior Account

Officer/Senior Vice President (effective July 2022) for Investment Banking at RCBC Capital Corporation. He was involved in various deals helping clients meet their financial and strategic goals. Other roles he handled include the following in RCBC Capital Corporation and other firms: as Senior Account Officer/First Vice President for Investment Banking from January 2018 to June 2022; Account Officer (Manager to Vice President) from June 2008 to December 2017; Liaison Officer/Assistant Vice President at YGC Corporate Services, Inc. from 2001 to 2007; Staff Associate at SGV & Co from 1999 to 2001; and as Systems Analyst at Joaquin Cunanan & Co. from 1998 to 1999.

He is involved in other pursuits being a non-executive director of DBP Daiwa Corporation, a stock brokerage, as well as RCBC Realty Corporation, a property development and management corporation.

He graduated from Ateneo De Manila University in 1998 with a degree in Bachelor of Science major in Management Information Systems. He earned a Post Graduate Diploma in Strategy and Innovation at the University of Oxford – Said Business School in 2012.

Mr. John Edward F. Alabastro, First Vice President, is the Head of the Information Technology Shared Services Group effective 1 October 2024. Mr. Alabastro is a seasoned IT professional with 27 years of experience. He started as a software engineer that paved the way for his progressive career. He then spent his next years in other institutions largely in the Yuchengco Group of Companies wherein he further expanded his strong competencies in the areas of Information Security, IT Management and Software Development. He joined the Bank on 17 January 2023 as an Enterprise Architect with the rank of First Vice President for the Information Technology Shared Services Group. Effective 1 July 2024, he was appointed as Chief Technology Officer and Group Head Designate and as such he is responsible for leading and providing management oversight on all IT services provided and delivered by ITSSG. He also currently performs functions in transition to the IT Shared Services Group Head role, assisting the incumbent Group Head in directing the Bank's Information Technology functions, strategies, and resources, guiding and monitoring all departments and other areas of work and with responsibility for achieving operational efficiency, proper analysis, design, development, operations and support for all computer/automated systems of the Bank. Mr. Alabastro graduated with a BSC degree, majoring in Computer Science, from University of the Philippines in 1993. He completed his Master's of Science degree Computer Science at Syracuse University in 1997.

Mr. John Edward F. Alabastro, First Vice President, is the Head of the Information Technology Shared Services Group effective 1 October 2024. Mr. Alabastro is a seasoned IT professional with over 27 years of experience. He started as a software engineer that paved the way for his progressive career. He then spent his next years in other institutions largely in the Yuchengco Group of Companies wherein he further expanded his strong competencies in the areas of Information Security, IT Management and Software Development. He joined the Bank on 17 January 2023 as an Enterprise Architect with the rank of First Vice President for the Information Technology Shared Services Group. Effective 1 July 2024, he was appointed as Chief Technology Officer and Group Head Designate and as such he is responsible for leading and providing management oversight on all IT services provided and delivered by ITSSG. Mr. Alabastro graduated with a BSC degree, majoring in Computer Science, from University of the Philippines in 1993. He completed his Master's of Science degree Computer Science at Syracuse University in 1997.

Jean Valen W. Yu, Senior Vice President 1, is the Head of Marketing Group. She has twenty four (24) years of experience in consumer insighting, brand building, integrated brand communication and business analysis and strategy development gained from local, regional and global markets. Prior to joining the Bank on December 1, 2024, she was a Marketing Director for Total Nutrition at Abbott Nutrition Philippines from 2021 to June 2024. She held other Marketing Director roles in the said company for Adult Business in the Philippines and Pediatric Business in Vietnam from July 2017 to 2021 and as Senior Lead for Abbot Nutrition International from September 2015 to July 201.

Ms Yu also gained her marketing expertise from other firms such as Kimberly Clark in the United States where she handled roles as follows Senior Trade Marketing Lead, Babycare for US Walmart (July- September 2015), Global Senior Lead, Adultcare Business/ Domain and Geographic Expansion (January 2012- June 2015), International (KCI) Senior Marketing Manager for Adult/ Feminine Business (September 2010- December 2011), and Regional/ Southeast Asia Marketing Manager (December 2007- August 2010); at Mead Johnson Nutritional Phils., Inc where she had roles such as Country Senior Product Manager for Sustagen Child & Adult Franchise Unit (June – December 2007) ; Country Senior Product Manager for Enfa Children/ Vitamins Business (September 2005 - May 2007); Country Product Manager for Enfa Infant Franchise (November 2022 - August 2005) and at Procter and Gamble where she worked as Assistant Brand Manager, BabyCare Malaysia & Singapore (2000 – 2002). She had her first professional experience at SyCip, Gorres, Velayo & Co. where she was worked as a Junior External Auditor (1999 – 2000).

She graduated with a Bachelor of Science major in Accountancy from De La Salle University in 1998. She passed the CPA licensure examination in the same year.

Lt. Col. Joel M. Ajero, Lt. Col. Joel M. Ajero, Vice President, is the Bank's Chief Security Officer. Lt. Col. Ajero has over 26 years of relevant experience largely gained from the banking sector and the military. He has gained skills in implementing effective bank security control systems, supervising the security force, intelligence gathering, and fraud investigation. He is knowledgeable in the various fields of information security such as cybercrime awareness, intelligence and fraud investigation as well as physical security and safety. Prior to joining the Bank, Lt. Col. Ajero's previous affiliations included Bastion Incorporation as Security Manager, the Armed Forces of the Philippines as Intelligence Officer S2/Deputy Director, Chinatrust Bank Corporation as Chief Security Officer, the Philippine National Bank as Security Manager, TongYang Bank as Chief Security Officer, Embarcadero Mall as Mall Security and Safety Manager, Pilipinas Makro, Inc . Security and Safety Manager. EGSGSI Security , Inc. as Operations Manager , Alert Security and Investigation Agency as Assistant Operations Manager/ Chief Investigator/ Training Officer, Armed Forces of the Philippines as Platoon Leader/Tactical Officer/Training Officer and Bank Security Management Training School as Instructor.

Lt. Col. Ajero graduated with a Bachelor of Arts degree in Communication Arts from Bicol University in 1997. He completed a Certificate in Teaching Programme at the Pamantasan ng Lungsod ng Pasay in 2008 and a Master's in Business Administration from Bicol College Graduate School in 2011. Lt. Col. Ajero was a Cadet Officer in the Philippine Army ROTC Training from 1993 to 1997. He also attended advanced training in the Philippine Army as a Reservist. In 1997, he was on probationary status as 2nd Lieutenant and was commissioned with this rank in 1998. From being a Reserve Officer, he was promoted by the Philippine Army to the rank of Lieutenant Colonel in February 2019.

Angeluz T. Guerzon**,** Senior Vice President 1, is the Head of Asset Management and Remedial Group. She has nineteen (19) years of professional experience. Prior to assuming this role in February 2023, she was the Division Head of Asset Management Support from April 2021 to February 2023. Before joining RCBC, she was Head of Legal and Compliance Group at RCBC Bankard Services Corporation from 2014 to 2021. She previously worked as a Remedial Legal Officer at Union Bank of the Philippines from 2011 to 2014. She started her career in Legal at the Philippine National Bank where she was first employed as a Lawyer from 2005 to 2011.

Atty. Guerzon graduated from the University of the Philippines in 1999 with a degree in Bachelor of Arts in Public Administration. She finished her Bachelor of Laws at San Beda College of Law in 2003. She took the Bar Examination in September 2003 and was admitted in May 2004.

Dr. Robert Rol Richard Raymond B. Ramos, First Senior Vice President, is currently seconded to RCBC Trust Corporation as President effective January 1, 2024. He was previously the Trust Officer and Head of Trust and Investments Group in the Bank prior to the spin-off of the group to a subsidiary. He has twenty nine (29) years of professional experience gained from the banking industry. Prior to joining RCBC, he was connected with East West Banking Corporation as Chief Trust Officer and Chief Investment Officer /Senior Vice President for Trust and Asset Management Group. His employment background includes previous employment with the following local banks: at Union Bank where he handled various roles such as Trust Officer and Chief Investment Officer, Business Development Head and Portfolio Manager; at BDO Private Bank, Inc. (formerly Banco Santander Philippines, Inc.) where he worked as Senior Manager/Relationship Manager; at Bank of the Philippine Islands where he handled roles such as Branch Manager/Branch Service Officer/Treasury Staff/Trust Staff.

He rendered services with the United States Agency for International Development Project as Project Development Officer from January 1996 to May 1997 and with the World Health Organization Strategy Development Project as Technical Writer from March 1995 to December 1995.

Mr. Ramos completed his undergraduate degree of Bachelor of Science in Management Engineering from the Ateneo de Manila in 1995. He finished his masteral degrees at the Asian Institute of Management (Business Management) in 1999 and the University of Asia and the Pacific (Business Economics) in 2012. He completed his doctoral degree in Business and Economics from De La Salle University in 2016.

He is a Chartered Financial Analyst (CFA), a Chartered Alternative Investment Analyst (CAIA), a Certificant for the Certificate in Investment Performance Measurement (CIPM), Certified Securities Representative, a Registered Financial Consultant, and a Certified Treasury Professional and he completed a one-year Balance Sheet Management course on Trust Operations with distinction.

Arsenio Kenneth M. Ona is the President and Chief Executive Officer of RCBC Capital Corporation. He is an investment banking professional with over 25 years of experience in the industry, both locally and abroad. Prior to his current appointment, he was First Vice President for Coverage and Origination at First Metro Investment Corporation, Assistant Vice President for Corporate Finance at All Asia Capital & Trust Corporation, Investment Banking Associate at JP Morgan Chase & Co. (New York and Singapore) and an Analyst at Jardine Fleming Exchange Capital Corporation. He holds a Master's in Business Administration from The Wharton School at the University of Pennsylvania and a Bachelor of Science degree in Business Economics from the University of the Philippines.

Arniel Vincent B. Ong, Arniel Vincent B. Ong, Senior Vice President 2, is the President and CEO of RCBC Bankard Corporation. He has eighteen (18) years of professional experience. Upon joining RCBC on December 2, 2019, he was seconded to RCBC Bankard Services Corporation as Head of Cards Strategic Initiatives and functioned as such until July 15, 2020. Prior to joining RCBC, he was connected with HSBC Philippines where last position held was as Head of Contact Management Centre and Digital of Retail Banking and Wealth Management since January 2016. He started as Management Trainee of the said bank in 2006. He also served the said bank in various roles which included the following: as Vice President of Policy, Acquisition and Portfolio Management in Retail Banking and Wealth Management; as Head of Consumer Credit Risk for Short Term Attachment assigned at HSBC Vietnam (stint from February 2013 to May 2013); various roles within Retail Credit Risk Management; and as Manager for Payment Services. He also worked as an Assistant Instructor at Ateneo De Manila University after graduation from college. He graduated with a double degree in Bachelor of Science major in Management Engineering and AB Economics. He finished his undergraduate course with honors at Ateneo de Manila University, 2006.

Jose Jayson L. Mendoza, Jose Jayson L. Mendoza, Senior Vice President 1, is currently seconded to RCBC Leasing and Finance Corporation as President and CEO. He has thirty one (31) years of professional experience. Prior to his current assignment, he was the Head of North Metro Manila Division in SME Banking. Prior to this, he held positions as Head of Metro Manila Division and VisMin Lending Region. He joined the Bank in 2008 as Lending Center Head for Small & Medium Enterprises Division-Luzon. Previously, he worked with MayBank Philippines as Head of Retail Loans Management (January 2005 to August 2008), Philippine National Bank as Account Officer (January 2003 to December 2004), Philippine Savings Bank as Account Officer (August 1996 to December 2002) and Islacom as Senior Credit Investigator (May 1994 to July 1996). He started his banking career when he joined Allied Banking Corp. as Credit Investigator in 1993. Mr. Mendoza graduated in 1993 from De La Salle University with a degree in AB Management.

Raoul V. Santos, Senior Vice-President 1, is currently seconded to RCBC Securities, Inc. as President. He has thirty four (34) years of professional experience. Prior to this current assignment, he was the Head of Trust Investment Segment in Trust and Investments Group and concurrently handled the role of the Head for Institutional Relationship Management Division. He joined RCBC in 2001 as Portfolio Management Section Head before assuming the Investment Services Department Head position in 2008. He also worked for Metropolitan Bank and Trust Company (2000-2001), Solidbank Corporation (1999-2000). Phinma, Inc. (1991-1999) and SGV & Co. (1990-1991). Mr. Santos obtained his Bachelor of Science degree in Management of Financial Institutions and Bachelor of Arts degree in Asian Studies from the De La Salle University.

Ismael S. Reyes, Senior Vice President 1, is currently seconded to Rizal Microbank as President effective 16 August 2024. He has 37 years of banking experience. He joined the Bank in 2013 as the National Sales Director and has assumed various leadership roles in the Retail Banking Group, such as the Head of the Retail Banking Marketing Segment, the Regional Sales Director for Metro Central Region and Quezon City, the Head of the Marketing and Strategy Segment, and the Head of Retail Transformation, which was the last position he held prior to assuming his current role. Prior to joining the Bank, he assumed various positions in the Philippine Savings Bank as Head of the Loans Operations Group, Branch Banking Group Head, Deputy Branch Banking Group Head and Business Development Unit Head. He worked for iRemit Inc., where he handled roles such as Division Head for Market Management and Deputy Head for the Global Sales and Marketing Division. He also worked with the Bank of the Philippine Islands where he was assigned as Operations Manager/Section Head for the Funds Transfer Department. His banking career started in Far East Bank in 1987 when he was hired as Staff for the International Operations Division. By 1990 he was promoted to a supervisory rank in the same division and as an officer in 1993. He later held the position of Department Head in International Operations and became a Project Officer also for the Remittance Centre. Mr. Reyes earned his Bachelor of Science degree in Commerce, majoring in Economics, at the University of Santo Tomas.

Simplicio B. Dela Cruz, Jr. President and CEO of Rizal Microbank. He has twenty nine (29) years of banking experience. Prior to assuming his current role, he was a Lending Center Head for Central Visayas from 2011 to 2019. Previous work experience include stints with other local banks as follows: at Planters Development Bank as Department Head–Visayas (2007-2011); as Business Development Officer (2004-2007); and as Account Relationship Officer (2002-2004); at Equitable PCIBank as Account Officer (2002); as Credit Reviewer (1997-2001); at Philippine Commercial International Bank as Documentation Specialist (1995-1996). He earned a degree in Bachelor of Arts in Economics from the University of Santo Tomas in 1994.

All of the officers identified above are Filipino citizens.

Employees

As of 31 December 2024, the Bank (excluding its subsidiaries) had 6,543 permanent employees, of whom 69.14% were engaged in a professional managerial capacity and classified as "officers". As of 31 December 2024, approximately 54.39% of the Bank's employees (excluding its subsidiaries) were employed at the head office and 45.61% at its branches.

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

	As of 31 December		
	2022	**2023**	**2024**
Staff	1,912	1,928	2,019
Officers	3,805	4,256	4,524
Total	5,717	6,184	6,543

All of the Bank's non-managerial employees, other than those expressly excluded under the Collective Bargaining Agreement (CBA), are represented by an independent union, the RCBC Employees Association. In October 2024, the Bank (excluding subsidiaries) and the RCBC Employees Association agreed on the two-year economic provisions (2024 to 2026) of the five-year CBA period covering 1 October 2021 to 30 September 2026.

The Bank has not experienced any strikes in the past five years, and the management of the Bank believes that its relations with its employees and the union are good and harmonious.

The Bank continues to invest in its employees through various training programs. In particular, the Bank established the RCBC University, with a focus on three main academies: RCBC Leadership Academy, RCBC CX Excellence Academy, and RCBC Digital Academy. This is in addition to the standard training programs on product knowledge, risk management and technical skills.

The aggregate compensation paid to employees by the Bank for the year ended 31 December 2024 was ₱8.06 billion.

Principal shareholders

The Company is a member of the YGC. As of 31 December 2024, the Yuchengco family, primarily through PMMIC, owned approximately 33.92% of the Bank's issued and outstanding shares while other members of the YGC owned an additional 9.38% of the Bank's issued and outstanding shares. As a result, YGC, which is controlled by the Yuchengco family, effectively controls the Bank

As of 31 December 2024, the Bank had 742 common shareholders of record worldwide.

The following table shows the 5 principal shareholders of the Bank, as shown in the Bank's share register as of 31 December 2024:

	Number of Shares	**% of Total**
Pan Malayan Management and Investment Corporation.	820,634,773	33.92
Sumitomo Mitsui Banking Corporation	483,907,222	20.00
Cathay Life Insurance Corporation	452,018,583	18.68
GPL Holdings	106,338,787	4.40
IFC Capitalization (Equity) Fund L.P.	71,151,505	2.94

RELATED PARTY TRANSACTIONS

The Bank is a member of the YGC. As of 31 December 2024, the Yuchengco family, primarily through PMMIC, owns approximately 33.92% of the Bank's issued and outstanding shares. The Bank, in its ordinary course of business, engages in transactions with the YGC while other members of the YGC own an additional 9.38% of the Bank's issued and outstanding shares. The Bank's policy with respect to related party transactions is to ensure that they are all entered into at arm's length standard. These transactions are made and entered into substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risk.

DOSRI Loans and Deposits

In the ordinary course of business, the Bank has loan transactions with investees and certain DOSRI. The General Banking Law and BSP regulations require that (a) the amount of individual outstanding loans, other credit accommodations, and guarantees to DOSRI should not exceed an amount equivalent to their unencumbered deposits and the book value of their paid-in capital investment in the bank; (b) unsecured loans, other credit accommodations, and guarantees to DOSRI should not exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower; (c) the total outstanding loans, other credit accommodations and guarantees to DOSRI may not, without the prior approval of the Monetary Board, exceed 15.0% of the bank's total loan portfolio or 100.0% of the bank's net worth, whichever is lower.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts as of the period indicated:

	As of 31 December		
	2022	2023	2024
	(Amount in ₱ millions, except for percentages)		
Total outstanding DOSRI loans…………………………….	325	252	292
Unsecured DOSRI…………………………………………..	98	97	134
Past due DOSRI…………………………………………….	1	-	-
Non-accruing DOSRI……………………………………….	1	-	-
Percentage of DOSRI loans to total loan portfolio…………	0.06	0.04	0.04
Percentage of unsecured DOSRI loans to total DOSRI loans	30.15	38.49	45.93
Percentage of past due DOSRI loans to total DOSRI loans..	0.31	0	0
Percentage of non-accruing DOSRI l to total DOSRI loans..	0.31	0	0

The Manual provides the rules and regulations that govern loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, other credit accommodations, and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion shall not exceed 5.0% of such net worth. Further, the total outstanding loans, credit accommodations, and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank/quasi-bank. Additionally, these subsidiaries and affiliates should not be a related interest of any of the directors, officers and/or stockholders of the lending institution, except where such director, officer, or stockholder sits in the board of directors or is appointed as an officer of such corporation as representative of the Bank. As of 31 December 2022, 2023 and 2024, the total outstanding loans, other credit accommodations, and guarantees to each of the Bank's subsidiaries and affiliates did not exceed 10.0% of the Bank's net worth, and the unsecured portion did not exceed 5.0% of such net worth.

On 23 June 2016, the BSP issued Circular No. 914, amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposure of subsidiaries and affiliates of banks to priority programs, particularly infrastructure projects under the Philippine Development Plan/ Public Investment Programme (PDP/PIP) needed to support economic growth. The Manual provides a separate individual limit (25% of the net worth of the lending bank/quasi-bank) to loans of banks/quasi-banks to their subsidiaries and affiliates for the purpose of project finance (as defined under Sec. 344 of the Manual) engaged in energy and power generation, provided that certain conditions are met such as that the initiatives are in line with the priority programs of the government and such subsidiaries and affiliates are not related interests of any of the directors, officers, and/or stockholders of the lending bank/quasibank; provided further, that the unsecured portion thereof shall not exceed 12.5% of such net worth when the project is already operational; and provided, finally, that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions.

Notably, other credit accommodations, and guarantees granted by a bank to its DOSRI for the purpose of project finance are exempted from the 30% unsecured individual ceiling during the project gestation phase; provided that the lending bank ensures that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include a pledge of the borrower's shares, the assignment of the borrower's assets, the assignment of all revenues and cash waterfall accounts, and the assignment of project documents. Further, Circular No. 914 also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter. As of 31 December 2022, 2023 and 2024, the total outstanding loans, other credit accommodations and guarantees to each of the Bank's subsidiaries and affiliates engaged in energy and power generation did not exceed 25.0% of the Bank's net worth, and the unsecured portion did not exceed 12.5% of such net worth.

The balances as of 31 December 2023 and 31 December 2024 in respect of subsidiaries included in the Bank's financial statements are as follows:

	As of 31 December 2023	**As of 31 December 2024**
	(₱ millions)	
Loans and receivables............................	7,240	6,056
Deposit liabilities..................................	992	945

The income and expenses for the nine months ended 31 December 2023 and 31 December 2024 in respect of subsidiaries included in the Bank's financial statements are as follows:

	As of 31 December 2023	**As of 31 December 2024**
	(₱ millions)	
Interest income.......................................	1,064	963
Interest expense (on deposits)	40	39

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

The significant inter-company transactions and outstanding balances of the Bank with its subsidiaries were eliminated in consolidation. Other significant related party transactions of the Bank are discussed in the notes to the financial statements included in this Offering Circular.

PHILIPPINE BANKING INDUSTRY

The following description is a summary of certain sector specific laws and regulations in the Philippines which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The cited regulations may not be exhaustive, and are intended to provide a general background and information to the investors, and are not intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks and cooperative banks, and subsidiaries and branches of foreign banks.

According to BSP's Directory of Banks and Non-Bank Financial Institutions ("**BSP Directory**"), as of 31 December 2024, the commercial banking sector, consist of universal and commercial banks, consisted of 44 banks, of which 22 were universal banks and 22 were commercial banks. Of the commercial banks, two are private domestic banks, two are foreign bank subsidiaries, and 18 are foreign bank branches. Of the universal banks, 13 were private domestic banks, three were government banks, and six were branches of foreign banks.

Commercial banks are organized primarily to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, receive deposits, buy and sell foreign exchange and gold and silver bullion, and lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business not related to banking, and to own up to 100% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly-listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with capital loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium- and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for small and medium-sized enterprises and individuals. As at 31 December 2024, there were 41 thrift banks, including microfinance-oriented banks.

Rural and cooperative banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. Rural banks are privately owned and managed while cooperative banks are owned by cooperatives or federations of cooperatives. According to the BSP Directory, as of 31 December 2024, there was a combined total of 383 rural and cooperative banks.

Digital Banks

Financial Technology and Digitalization as a banking trend started to take off with the rise of the internet at the start of 21st century when banks launched internet banking facilities to enable clients to access their accounts and make payment transactions using personal computers. As future generations become more tech savvy, internet and mobile users are also increasing. According to We Are Social, a global social media marketing company, in the Philippines, internet users reached 97.5 million at the start of 2025 with a penetration rate of 83.8% of the population, while mobile connections numbered 142 million at the beginning of 2025.

In line with the BSP Digital Payments Transformation Roadmap for 2020–2023, the push for digitalization goes hand in hand with the thrust of the BSP to increase financial inclusion, as only about 30% of adults had a bank account at the end of 2019, based on the BSP Financial Inclusion Survey. The BSP's goal was to bring the remaining 70% of the Filipino adult population to the financial system as well as 50% of the total volume of retail payments into digital form by 2023. Based on the latest Status of Digital Payments report by BSP, at the end of 2023, digital payments have reached 52.8% by volume from 42.1% in 2022 and 55.3% by value from 40.1% in 2022, driven by person-to-merchant and person-to-person payments. The BSP has set a target for digital payments to account for 60–70% of the total volume of retail payments by 2028.

To further advance financial inclusion in the country, the BSP has released Circular No. 1105, or the Guidelines on the Establishment of Digital Banks in December 2020 which outlines the framework for digital banks as a distinct classification of banks. In September 2022, the BSP issued Circular No. 1154 which clarifies the extent to which prudential requirements apply to digital banks and amends the documentary and licensing requirements on the establishment of digital banks. According to these issuances, digital banks' products and services should be processed end-to-end through a digital platform and/or electronic channels with no physical branch/sub-branch or branch-lite unit, and these banks should have at least ₱1.0 billion capital.

Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branch or sub-branch or branch-lite unit offering financial products and services. Digital banks may grant loans, whether secured or unsecured, accept savings and time deposits, accept foreign currency deposits, invest in readily marketable bonds and other debt securities, commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions, act as correspondent for other financial institutions, act as collection agent for non-government entities, issue credit cards and electronic money products, buy and sell foreign exchange, and present, market, sell, and service microinsurance products.

Previously, under Memorandum No. M-2021-046, the BSP capped the number of digital banks to six and temporarily closed the application window effective 31 August 2021, to allow BSP to monitor performance and impact of these banks on the banking system and their contribution to financial inclusion. Subsequently, the Monetary Board issued Resolutions No. 776 on 4 July 2024 and No. 1463 on 19 December 2024, which approved the lifting of the moratorium on the grant of new digital banking licenses beginning 1 January 2025 and allowed for the issuance of four additional licenses, raising the maximum number of digital banks permitted to operate in the country from six to ten. The BSP likewise lifted the moratorium on applications for new electronic money issuers starting 6 December 2024.

As of 31 December 2024, six digital banks have been granted a Certificate of Authority by the BSP to operate in the Philippines; namely, Tonik Digital Bank Inc., Maya Bank Inc., Overseas Filipino Bank Inc., the digital bank subsidiary of state-owned Land Bank of the Philippines, UNObank Inc., UnionDigital Bank Inc., and GoTyme Bank Corporation. According to the BSP's latest Status of Digital Payments report, the value of digital payments amounted to a total of $110.5 billion towards the end of 2023. Furthermore, the share of digital payments to total retail payment transactions in the Philippines grew to 52.8% in 2023 from 42.1% in 2022.

Specialized Government Banks

Specialized Government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines ("**DBP**"), Land Bank of the Philippines (LBP), and AI-Amanah Islamic Investment Bank of the Philippines ("**AAIIB**"). DBP was organized primarily to provide banking services catering to the medium-term and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for small- and medium-sized enterprises. LBP primarily provides financial support in all phases of the Philippines' agrarian reform programme. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao through banking, financing, and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

Trends in the Banking Industry

During the past decade, the Philippine banking industry has been marked by two major trends – liberalization and mergers and consolidation.

Accordingly, on 15 February 2016, the BSP issued Circular No. 902 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. As provided in the Circular, "the suspension of the grant of new banking licenses or the establishment of new banks under the MORB is lifted under a two-phased approach. Under Phase 1 of the liberalization, the grant of new universal/commercial banking license shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalized starting 1 January 2018."

Meanwhile, foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60.0% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of ten new foreign bank branches in 1995. Republic Act No. 8791 or the General Banking Law of 2000 (the "**General Banking Law**") further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof. Further, the ASEAN Banking Integration Framework (ABIF) took effect on 1 January 2020, allowing certain qualified ASEAN banks to operate in other ASEAN countries just like any other local bank. According to BSP data, as of 31 December 2024, there were 18 foreign commercial banks with branches and two foreign commercial banks with subsidiaries in the Philippines.

Subject to prior Monetary Board approval of the applicants, foreign banks may be authorized to operate in the Philippines through any one of the following modes of entry: (a) acquiring up to 100% of the voting stock of an existing bank; (b) investing in up to 100% of the voting stock of a new banking subsidiary incorporated in the Philippines; or (c) establishing branches with full banking authority. Foreign banks applying for entry into the Philippine banking system will be subjected to the statutory and regulatory guidelines set forth in the Act and its implementing guidelines. Among the key amendments of the law was the removal of the ranking requirement for foreign banks and the addition of the applicant banks being widely-owned and publicly-listed in the country of its origin. In addition, the law allows authorized foreign banks to participate in the bidding and foreclosure sales of mortgaged real property (including lands) as well as to avail of enforcement and other proceedings and even take possession (but not title) to such mortgaged property for a period of five years. The foreign banks must, however, transfer its rights over the mortgaged property to a qualified Philippines national within the period of five years. In July 2014, Republic Act No. 10641, or "An Act Allowing the Full Entry of Foreign Banks in the Philippines" (the Act) was enacted. On 21 November 2024, its implementing rules and regulations were issued as BSP Circular No. 858. These further liberalized foreign bank entry by allowing foreign banks to own up to 100% of the voting stock of an existing bank, a branch, or a subsidiary. The Act reopened the domestic banking sector to foreign banks whose full access was closed as of 2007. Under the Act, in approving applications, the Monetary Board is required to adopt such measures as may be necessary to ensure that the control of at least 60% of the resources or assets of the entire banking system is held by domestic banks which are majority-owned by Filipinos. Pursuant to BSP Circular No. 858, such measures may include (a) suspension of entry of additional foreign bank subsidiaries and branches; and (b) suspension of license upgrade or conversion to subsidiary of existing foreign bank branches. Other measures consistent with the Act may also be implemented by the Monetary Board, taking into consideration vested rights and non-impairment of contracts.

The liberalization of foreign ownership regulations in banks has paved the way for the emergence of foreign and local banks with foreign ownership in the market. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank, United Overseas Bank and Hua Nan Commercial Bank being granted new licenses, as well as equity investments by Bank of TokyoMitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank.

The following table sets out a comparison, based on consolidated quarterly reports filed with the Philippine SEC, of the five leading private domestic commercial banks in the Philippines as at 31 December 2024:

Name	Market Capitalization [1]	Total Equity[2]	Total Assets[2]	Loans and Receivables-net[2]	Deposit Liabilities[2]	No. of Branches [3]
		(in ₱ millions, except number of branches)				
BDO Unibank, Inc.	**759,205**	577, 395	4,876,050	3,272,518	3,794,027	**1,791**
Metropolitan Bank & Trust Company	**323,814**	396,405	3,520,355	1,816,010	2,573,878	**960**
Bank of the Philippine Islands	**643,196**	432,690	3,318,813	2,238,765	2,614,802	**1,266**
China Banking Corp.	**170,900**	168,580	1,646,093	915,230	1,331,147	**650**
Rizal Commercial Banking Corp.	**60,125**	158,491	1,360,153	742,497	1,022,794	**465**

Notes:
1 Market Capitalization as of 27 December 2024.
2 Financial data taken from each bank's respective financial statements as of 31 December 2024. Includes interests in subsidiaries and allied undertakings.
3 Number of branches was provided by each of the respective banks as of 31 December 2024. The number of branches operated by the Bank of the Philippine Islands includes the 144 branches of Robinsons Bank Corporation, following their merger effective 1 January 2024. The number of branches operated by Rizal Commercial Banking Corporation includes 453 branches and 12 extension offices.

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks which have greater financial resources than the Bank have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market but have, as a result, caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets.

The Bank also faces competition from domestic banks in part as a result of mergers and consolidation in the banking industry. In the domestic market, prior to 2000, many banks expanded their networks in order to tap low-cost retail deposits following the relaxation of restrictions on branch banking. As a result, the Philippine banking market is relatively fragmented by comparison with other Asian countries. Since September 1998, the BSP has been encouraging mergers and consolidations among banks in order to strengthen the Philippine banking system, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. On 11 October 2012, BSP Circular No. 771-12 was issued in order to grant incentives to investors who purchase a controlling stake in a bank. Accordingly, the coverage of reliefs and incentives for mergers and consolidations now includes the purchase and acquisition of a majority or all of the outstanding shares of stock of a bank. In May 2022, Joint Circular No. 01, series of 2022 was issued to streamline the merger, consolidation, and acquisition process among banks. The multiagency agreement was signed by the BSP, Philippine Deposit Insurance Corporation, Securities and Exchange Commission, Cooperative Development Authority, and the Philippine Competition Commission. The agencies agreed to simplify the procedure and to reduce the documentary requirements and processing time for the merger, consolidation, and acquisition process of banks.

Based on BSP data, since the new package of incentives took effect in September 1998, there have been more than 100 mergers, acquisitions, and consolidations of banks, reducing the number of banks from 996 in 1998 to 471 as of November 2024. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to overall competition levels since market share remained relatively well dispersed among the remaining players.

BANKING REGULATIONS AND SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. It does not purport to be a comprehensive description of all of the laws and regulations that may be relevant to a decision to purchase, own or dispose of the Bonds. The regulations may not be exhaustive, and are intended to provide a general background and information to the investors, and are not intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

General

Republic Act No. 7653 or the New Central Bank Act of 1993 (the "**New Central Bank Act**") and Republic Act No. 8791 or the General Banking Law of 2000 (the "**General Banking Law**") vest the Monetary Board of the BSP with power to regulate and supervise financial intermediaries in the Philippines. Financial intermediaries include banks or banking institutions such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, private development banks, stock savings and loan associations and microfinance thrift banks), Islamic banks, rural banks, as well as branches and agencies of foreign banks in the Philippines. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board. Moreover, the supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities.

The Manual of Regulations for Banks as amended from time to time ("**MORB**") is the principal source of rules and regulations that must be complied with by banks in the Philippines. The MORB contains regulations applicable to universal banks, commercial banks, thrift banks, rural banks and non-bank financial intermediaries performing quasi-banking functions. These regulations include those relating to the organization, management and administration, deposit and borrowing operations, loans, treasury and money market operations, and trust and other fiduciary functions. Supplementing the Manual are rules and regulations disseminated through various circulars, memoranda, circular letters and other directives issued by the Monetary Board of the BSP.

The MORB and other Regulations are principally implemented by the Supervision and Examination Sector (the "**SES**") of the BSP. The SES is responsible for monitoring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government banks and their subsidiaries and affiliates, non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under the Savings and Loan Association Act (Republic Act No. 3779), and pawnshops under the Pawnshop Regulation Act (Presidential Decree No. 114).

Selected COVID-19 Government Support Measures

In March 2020, former President Rodrigo Duterte issued Proclamation No. 922, declaring a State of Public Health Emergency nationwide due to the COVID-19 pandemic. This prompted various government support measures and regulations.

On 24 March 2020, pursuant to the authority from the Monetary Board, BSP Governor Diokno approved a reduction in the reserve requirement ratio by 200 basis points for universal/commercial banks with effect from 30 March 2020. Subsequently, BSP Circular No. 1082 further lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, effective reserve week of 3 April 2020 for universal and commercial banks, to 12%.

On 22 April 2020, as part of the Government's financial assistance program and in light of the effects of the COVID-19 pandemic on micro, small and medium-sized enterprises (MSMEs), the BSP issued Circular No. 1083, which provides that loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions: (1) that the MSME loan was granted after 15 March 2020; and (2) that the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose. Qualified MSME loans are to be valued at amortized cost, gross of allowance for credit losses. The use of MSME loans as allowable alternative compliance with the reserve requirement is available to banks from 24 April 2020 to 30 December 2021. The use of MSME loans as allowable alternative compliance with the reserve requirement was extended up to 29 December 2022 pursuant to Circular No. 1110.

Loan Limit to a Single Borrower

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of Bangko Sentral-Supervised Financial Institutions (BSFIs), the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020, which granted additional operational relief to BSFIs. Such relief includes an increase in this single borrower's limit from 25% to 30% for a period of six months from 19 March 2020. The 30% single borrower's limit was then extended until 31 December 2022 pursuant to BSP Memorandum No. M-2022-004.

Regulatory Relief Package

On 14 March 2020, the BSP issued BSP Memorandum No. M-2020-008, as amended by Memorandum No. M-2020-032. This offered a regulatory relief package which all BSFIs were eligible to avail of within one year from 8 March 2020 until 31 December 2021. The relief package includes a one year exclusion from the past due loan ratio of loans to affected borrowers and the staggered booking of provision for probable losses for five years for all types of credits extended to affected individuals and businesses, subject to BSP approval.

Relaxation of Requirements

On 21 July 2020, the BSP issued Memorandum No. M-2020-057 relaxing certain requirements under the MORB. A bank need not inform the BSP of changes in its banking days, hours of operation, and temporary closure. This was implemented until 31 March 2021 and extended until 31 December 2022 by BSP Memorandums Nos. M-2021-029 and M-2022-005.The same three memorandums also relaxed the notification requirement in case of the temporary closure of bank branches/branch-lite units and BSFI offices/service units from March 2020 to 31 December 2022.

Supervisory Expectations

Due to the uncertainties brought about by the pandemic, the BSP issued Memorandum No. M-2020-061 on 3 August 2020, providing for supervisory expectations on the measurement of ECL under PFRS 9 and the treatment of relief measures that have been granted by the BSP to BSFIs. BSFIs availing regulatory relief measures must report actual past due and non-performing loans and allowances for credit losses in their Financial Report Package and the Capital Adequacy Ratio reports.

Overnight Reverse Repurchase Facility

On 19 March 2020, in a bid to spur the economy amid the slowdown caused by COVID-19, the BSP announced a reduction in the interest rate on its overnight reverse repurchase (RRP) facility. By 19 November 2020, the RRP interest rate was trimmed to 2.00%, with overnight deposit and lending rates trimmed to 1.50% and 2.50%, respectively. Effective 17 October 2024, the Monetary Board updated the RRP rate by 25 basis points to 6.0%, adjusting the interest rates on the overnight deposit and lending activities to 5.50% and 6.50%, respectively.

Bayanihan to Heal as One Act

On 23 March 2020, the Bayanihan to Heal as One Act (Bayanihan I) was signed into law, imposing a 30-day grace period on the payment of loans falling due during the enhanced community quarantine without incurring interests, penalties, or other charges. The enhanced community quarantine in Luzon ended on 30 April 2020, but in other areas, this was extended until 15 May 2020. Thereafter, BSP Memorandum No. M-2020-045 removed this mandatory grace period, effective 1 June 2020. Bayanihan I expired on 24 June 2020.

On 15 September 2020, the Bayanihan to Heal as One Act II (Bayanihan II) was enacted. Under the law, BSFIs are mandated to grant a one-time 60-day grace period to all loans that are existing, current, and outstanding falling due, or any part thereof, on or before 31 December 2020. During the grace period, no interest, penalties, fees, or other charges may be applied to the loan. Bayanihan II expired on 30 June 2021.

On 22 July 2023, President Ferdinand R. Marcos Jr. issued Proclamation No. 297, lifting the State of Public Health Emergency due to COVID-19 in the Philippines. Pursuant to this, all orders, memoranda, and issuances effective only during this period were deemed revoked or cancelled, and no longer in effect.

Expected Credit Loss

In 2018, the BSP provided guidelines for adopting PFRS 9 through BSP Circular No. 1011. PFRS 9 covers loans and receivables that are measured at amortized cost, investments in debt instruments that are measured at amortized cost or FVOCI, and credit commitments and financial guarantee contracts that are not measured at FVTPL, With PFRS 9, the BSP also provided for an ECL model to measure credit impairment. Credit exposures are classified into three stages. Stage 1 means the credit exposure is considered "performing" and has no significant increase in credit risk since its initial recognition or has a low credit risk. In stage 2 the credit exposure is considered as "under-performing" or is not yet non-performing but with a significant increase in credit risk since its initial recognition. Stage 3 means the credit exposure is considered as “non-performing”. For stage 1, the time horizon in measuring ECL is through a twelve-month ECL, while stage 2 and stage 3 follow a lifetime ECL time horizon.

On 19 October 2021, BSP issued Memorandum No. M-2021-055 providing temporary regulatory relief on capital treatment of provisioning requirements under PFRS 9. Beginning 1 January 2022, covered BSFIs can add-back increase in Stage 1 and Stage 2 provisioning requirements booked under allowance for credit losses from end-December 2019 to CET 1 capital over two years or until 2023. From 1 January 22 to 31 December 2022, the add-back factor is 100% Thereafter, from 1 January 2023 to December 2023, the add-back factor will be reduced to 50%.

On 21 October 2021, the BSP provided guidelines on the treatment of loans restructured during the pandemic and the determination of its ECL classification. The guidelines for the assessment of ECL should be based on the borrower’s ability to fully pay the loan based on the revised terms. The guidelines can be found in BSP Memorandum No. M-2021-056 and is in effect as of 31 December 2022.

PERMITTED ACTIVITIES

A universal bank, such as the Bank, in addition to the general powers incidental to corporations, has the authority to exercise (i) the powers of a regular commercial bank, (ii) the powers of an investment house and (iii) the power to invest in non-allied enterprises. In addition, a universal bank may own up to 100.0% of the equity in a thrift bank, a rural bank or a financial allied enterprise. A publicly listed universal or commercial bank may own up to 100.0% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100.0% of the equity in a non-financial allied enterprise.

In addition to those functions specifically authorized by the General Banking Law and the Manual, banking institutions in general (other than building and loan associations) are allowed to (i) receive in custody funds, documents and valuable objects, (ii) rent out safety deposit boxes, (iii) act as financial agents and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness, and all types of securities and (iv) make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business. Financial intermediaries are allowed, to a certain extent, to invest in allied (both financial and non-financial) undertakings while only universal banks may invest in non-allied undertakings.

Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies, and financial institutions catering to small- and medium-scale industries, including venture capital companies, companies engaged in stock brokerage/securities dealership and companies engaged in foreign exchange dealership/brokerage.

The total equity investments of a universal bank in all enterprises, whether allied or non-allied, are not permitted to exceed 50.0% of its net worth. Its equity investment in any one enterprise, whether allied or non-allied, is not permitted to exceed 25.0% of the net worth of the bank. Net worth is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP.

REGULATIONS

The MORB and various BSP regulations impose the following restrictions on commercial, universal and savings banks.

Minimum Capitalization

By virtue of BSP Circular No. 854 (2014), the minimum capital requirement for all bank categories, namely universal banks, commercial banks, thrift banks, rural banks, and cooperative banks, was increased in order to strengthen the banking system. In 2022, the BSP issued Circular No. 1151 which amended the minimum capitalization for rural banks in the Philippines. Below are the amended minimum capital requirements for banks as of 2024:

Bank Category/Network Size	Existing Minimum Capitalization (₱)	Reviewed Minimum Capitalization (₱)
Universal Banks	4.95 billion**	
Head Office only		3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in:		
Metro Manila	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region		
(NCR)		500 million
Head Office only		750 million
Up to 10 branches*		1.00 billion
11 to 50 branches*		2.00 billion
More than 50 branches*		
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities	5 million**	
Head Office in NCR		
Head Office only		50 million
Up to 5 branches*		50 million
6 to 10 branches*		120 million
More than 10 branches*		200 million
Head Office in All Other Areas Outside NCR		
(All Cities up to 3rd Class Municipalities)		20 million
Head Office only		30 million
Up to 10 branches*		40 million
11 to 50 branches*		80 million
More than 50 branches*		
Head Office in All Other Areas Outside NCR		
(4th to 6th Class Municipalities)		10 million

Head Office only Up to 10 branches* 11 to 50 branches* More than 50 branches*		15 million 20 million 40 million
Digital Banks		1.00 billion

In April 2023, the BSP issued Circular No. 1173 modifying the minimum capitalization of conventional banks with Islamic banking units. This BSP Circular provides that: "The minimum capitalization requirements for a universal bank apply to an Islamic Bank. A conventional bank that is a commercial bank or a subsidiary of a universal or commercial bank, which complies with the minimum capital requirements applicable to its respective banking category, may be allowed to operate an Islamic banking unit within a reasonable transitory period not exceeding five (5) years reckoned from the date of BSP approval; provided, that, after the transitory period, such conventional bank shall have the minimum capitalization requirement applicable to an Islamic Bank. "

These minimum levels of capitalization may be changed by the Monetary Board from time to time.

Capital Adequacy Requirements

In January 2012, the BSP required the universal and commercial banks in the Philippines, including their subsidiary banks and quasi-banks, to adopt in full the capital adequacy standards under Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems effective 1 January 2014. Basel III supplemented the capital adequacy framework under Basel II: Revised International Convergence of Capital Measurement and Capital Standards to further strengthen the loss absorption capacity of local banks and encourage banks to rely more on core capital instruments like CET1 and Tier 1 issues.

This allowed local banks one full year for a parallel run of the old and new guidelines prior to the effectiveness of the new standards in 2014, marking an accelerated implementation, compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under the Basel III accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and T1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10% and set a minimum CET1 ratio of 6% and a minimum T1 capital ratio of 7.5%. The new guidelines also introduced a CCB of 2.5% which shall be made up of CET1 capital. This buffer was intended to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during periods of financial and economic stress. Under BSP Circular No. 1027 dated 28 December 2018, net due from head office, branches and subsidiaries outside the Philippines of foreign banks branches, excluding accumulated net earnings is required to be deducted from CET1 capital.

On 29 October 2014, the BSP issued Circular No. 856, or the "Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III". Under the circular, the BSP adopts policy measures for D-SIBs, which are essentially aligned with documents issued by the BCBS on G-SIBs and D-SIBs. The policy aims to reduce the probability of failure of D-SIBs by increasing their going-concern loss absorbency and to reduce the extent or impact of failure of D-SIBs on the domestic or real economy. The submission of data requirements for the identification of D-SIBs took effect starting with 2014 data while compliance with the additional higher loss absorbency requirement was phased in from 1 January 2017 with full implementation on 1 January 2019.

Under BSP Circular No. 856, the systemic importance of a bank is assessed in relation to the impact of its failure on the domestic economy based on certain bank-specific factors (on a consolidated basis): size, interconnectedness, substitutability/financial institution infrastructure, and complexity. Banks that have a score that exceeds the cut-off under the indicator-based measurement approach shall be classified as D-SIBs. In assessing D-SIBs, supervisory judgment may also be utilized based on the principles set forth in the circular. Using cluster analysis, D-SIBs will be initially allocated into two buckets with an empty bucket to provide banks with an incentive to avoid becoming more systemically important. The assessment will be run annually and D-SIBs reallocated as a result. If the empty bucket becomes populated in the future, a new empty bucket shall be added with a required higher additional loss absorbency level which shall increase in increments of 1.0% of risk-weighted assets.

Banks identified as D-SIBs will be required to have higher loss absorbency (HLA). This higher requirement is aimed at ensuring that D-SIBs have a higher share of their balance sheets funded by instruments which increase their resilience as a going concern, considering that the failure of a D-SIB is expected to have a greater impact on the domestic financial system and the economy as a whole. To ensure a maximum degree of consistency in terms of effective loss absorbing capacity, the HLA requirement will be addressed through CET1 capital.

On 27 September 2019, the BSP issued Circular No. 1051, entitled Amendments to BSP Circular No. 1051, which amended the framework for dealing with D-SIBs provided under BSP Circular No. 856.

Under BSP Circular No. 1051, the minimum HLA requirement for the lower bucket shall be 1.5% of risk-weighted assets at all times. For the higher populated bucket, the HLA requirement shall range from above 1.5% to 2% of risk-weighted assets. An empty top bucket with HLA requirement of 2.5% of risk-weighted assets shall also be maintained. The differentiated HLA requirement for D-SIBs slotted under the higher-populated bucket is to be based on the ranking of a bank's overall systemic importance through the use of the indicator-based measurement approach. An equation is provided in BSP Circular No. 1051 for computing the additional loss absorbency requirement for D-SIBs slotted under the higher-populated bucket.

Bucket	**Score Range**	**Minimum additional HLA requirement (CET1 capital as a percentage of risk-weighted assets)**
3 (empty)	B-C	2.5%
2	A-B	>1.5% to 2.0%
1	Cut-off point – A	1.5%

The HLA requirement shall also be on top of the combined requirement for CCB and CCyB, as determined under BSP Circular No. 1051. Restrictions on distributions are provided under BSP Circular No. 1051, depending on the CCyB rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions. The total CET1 capital requirement for D-SIBs will be as follows:

CCyB rate is at 0%:

Bucket	**Minimum CET1 Requirement (a)**	**CCB (b)**	**CCyB (c)**	**D-SIB HLA Requirement (d)**	**Total Additional CET1 Requirement (b+c+d)**	**Total Required CET1 (a+b+c+d)**
3 (empty)	6.00%	2.50%	0%	2.50%	5%	11.00%
2*	6.00%	2.50%	0%	2%	4.50%	10.50%
1	6.00%	2.50%	0%	1.50%	4.00%	10.00%

*Assuming an HLA requirement of 2%

CCyB rate is at 2.5%

Bucket	**Minimum CET1 Requirement (a)**	**CCB (b)**	**CCyB (c)**	**D-SIB HLA Requirement (d)**	**Total Additional CET1 Requirement (b+c+d)**	**Total Required CET1 (a+b+c+d)**
3 (empty)	6.00%	2.50%	2.50%	2.50%	7.50%	10.00%
2*	6.00%	2.50%	2.50%	2%	7.00%	9.00%
1	6.00%	2.50%	2.50%	1.50%	6.50%	8.00%

*Assuming an HLA requirement of 2%

Transitional arrangements for the HLA requirement will be implemented. In the case of banks included in the first list of D-SIBs (to be released in June 2015 based on December 2014 data), compliance with the HLA requirement was phased-in starting 1 January 2017, with full compliance on 1 January 2019. Under BSP Circular No. 857, further lists of D-SIBs will be issued until 31 December 2021. After the phase-in period, banks identified as D-SIBs will have 18 months to comply with the required HLA.

Data Cut-Off	**Release of D-SIBs List**	**Compliance Period**

December 2014	June 2015	Phased-in: 1 January 2017 – 1 January 2019
December 2015	June 2016	Phased-in: 1 January 2018 – 1 January 2019
December 2016	June 2017	1 January 2019 – 31 December 2019
December 2017	June 2018	1 January 2020 – 31 December 2020
December 2018	June 2019	1 January 2021 – 31 December 2021

BSP Circular No. 1051 likewise imposes capital distribution constraints should a D-SIB's capital fall within a specified range (subject to phased-in implementation and other provisions of the circular):

CCyB rate is at 0%

	Level of CET1 Capital	
Restrictions on Distributions	**Bucket 1**	**Bucket 2***
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=9.25%	<=9.50%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	>9.25% – 10.0 %	>9.50% – 10.5%

*Assuming an HLA requirement of 2%

CCyB rate is at 2.5%

	Level of CET1 Capital	
Restrictions on Distributions	**Bucket 1**	**Bucket 2***
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=11.75%	<=12.00%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	>11.75% – 12.50%	>12.00% - 13.00%

*Assuming an HLA requirement of 2%

A D-SIB will not be subject to any restriction on distribution if the following conditions are met:

(a) Positive retained earnings as of the preceding quarter and compliance with the regulatory requirements for the declaration of dividends;

(b) Compliance with total required CET1 and D-SIBS HLA requirement (under the circular) before distribution; and

(c) Compliance with minimum capital ratios after distribution.

D-SIBs will also be subjected to greater supervisory requirements such as additional disclosures and reports in its Internal Capital Adequacy Assessment Process ("**ICAAP**").

These requirements may lead to the Bank having to hold even higher minimum levels of capital compared with the levels above, should it be designated as a D-SIB by the BSP.

On 9 June 2015, the BSP issued Circular No. 881, entitled Implementing Guidelines on the Basel III Leverage Ratio Framework ("**Circular No. 881**"). In accordance with Circular No. 881, the leverage ratio of universal and commercial banks as well as their subsidiary banks and quasi-banks, computed as the level of a bank's Tier 1 capital against its total on-book and off book exposures, must not be less than 5%. During the monitoring period up to 31 December 2016, sanctions were not imposed on covered institutions falling below the 5% minimum; however, all covered institutions were required to submit periodic reports. On both a solo and consolidated basis, this ratio should not be less than 5% for universal and commercial banks, as well as their subsidiary banks/quasi-banks. On 22 January

2018, however, the BSP issued Circular No. 990, extending the monitoring period up to 30 June 2018. By 1 July 2018, the leverage ratio became a Pillar 1 requirement.

Banks also face new liquidity requirements under Basel III's framework on liquidity standards, which were adopted by the BSP through Circular No. 905, entitled Implementation of Basel III Framework on Liquidity Standards — Liquidity Coverage Ratio and Disclosure Standards ("**Circular No. 905**"). Circular No. 905 adopted the Basel III for Liquidity Coverage Ratio ("**LCR**") Framework and Minimum Liquidity Ratio Framework, and the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio ("**NSFR**").

The LCR requires banks to hold sufficient levels of high-quality liquid assets to enable them to withstand a 30-day liquidity stress scenario. Beginning 1 January 2018, the LCR threshold that banks would have to meet is 90%, which was increased to 100% beginning 1 January 2019. During the observation period prior to 1 January 2018, banks were required to submit quarterly LCR reports for monitoring purposes. On 15 March 2019, the BSP issued Circular No. 1035, entitled Amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework ("**Circular No. 1035**"), which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. Circular No. 1035 (i) extended the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adopted the 70%. LCR floor for subsidiary banks and quasi- banks during the observation period, and (iii) amended the formula for minimum liquidity ratio.

Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. On 6 June 2018, the BSP issued Circular No. 1007, entitled Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio. It provided that the implementation of the minimum NSFR would be phased in to help ensure that the covered banks and quasi-banks could meet the standard through reasonable measures without disrupting credit extension and financial market activities. Covered banks and quasi-banks went through an observation period from 1 July 2018 to 31 December 2018 before the actual implementation of the minimum 100%. NSFR, which would begin on 1 January 2019 and continue thereafter. On 15 March 2019, the BSP issued Circular No. 1034, further extending the observation period for subsidiary banks and quasi-banks of universal and commercial banks from 1 July 2018 to 31 December 2019 before the implementation of the minimum 100%. NSFR beginning 1 January 2020.

Both the LCR threshold and the NSFR threshold are now at 100%, following the full implementation of the provisions of Circulars 1035 and 1034, respectively. On 13 February 2020, the BSP issued Memorandum No. M-2020-003, entitled Guidelines on the Electronic Submission of the BASEL III Net Stable Funding Ration (NSFR) Report and Liquidity Coverage Ratio Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for purposes of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1035 and 1034.

On 16 April 2021, Circular No. 1113 amended the guidelines on the recovery plan of banks designated as D-SIBs. In order to reduce the negative impact of D-SIBs on the economy, the BSP provided for a framework consisting of three parts: assessment methodology; HLA and interaction with other elements of the Basel III framework; and the intensive supervisory approach. Under the intensive supervisory approach, a D-SIB must prepare a concrete and reasonable recovery plan which must be implemented in the event that the HLA capital requirement is breached. This includes specific initiatives such as restructuring and disposing of assets, capital raising activities and streamlining businesses. Apart from a recovery plan, the D-SIB must also submit an ICAAP. On 20 July 2022, Circular No. 1158 amended the guidelines governing the submission of recovery plans of banks as well as the prudential measures under the ICAAP and Supervisory Review Process.

Reserve Requirements

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to the BSP on the amount of any deficiency.

Under Section X251 of the Manual, as amended by BSP Circular No. 1041, 1054, 1056, 1063 (2019), 1082, 1092 (2020), 1175, 1176 (2023), 1201 (2024), and 1211 (2025), universal and commercial banks (including the Bank) are required to maintain regular reserves of: (a) 5.0% against demand deposits, "NOW" accounts, savings deposits, time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under Due to foreign banks and peso deposits lodged under Due to Head Office/Branches/Agencies Abroad; (b) 4.0%

against long-term negotiable CTDs issued under BSP Circular No. 1056 (2019); (c) 0.0% against deposit substitutes evidenced by repurchase agreements and inter-bank call loans under Section X315 of the Manual, and (e) 3.0% against bonds.

The Monetary Board's reduction in the reserve requirement rate for bonds issued by banks and QBs from 6.0% to 3.0% took effect from the reserve week starting 31 May 2019 pursuant to Circular No. 1054. The reduction was implemented in furtherance of the BSP's commitment to the growth of the local debt market. The reduction is also intended to incentivize banks and QBs to tap the domestic bond market as part of their liquidity management.

The Monetary Board's reduction of the reserve requirement ratio for universal and commercial banks took effect from the reserve week starting 28 March 2025 pursuant to Circular No. 1211. The reduction is in line with the BSP's broad financial sector reform agenda to promote a more efficient financial system by lowering financial intermediation costs. The adjustment in reserve requirement ratios is also aimed at increasing domestic liquidity in support of economic activity.

Under BSP Circular 1087, as amended by BSP Circular 1100, from 24 April 2020 to 29 December 2022 Peso-denominated loans that are granted to MSMEs may be used as an alternative mode of compliance for the reserve requirement. For large enterprises, excluding banks and non-banks with quasi-banking functions, Peso-denominated loans may be used as an alternative mode of compliance from 29 May 2020 to 29 December 2022. For both enterprises, the Peso-denominated loan should be granted, renewed or restructured after 15 March 2020. For loans granted on or before 15 March 2020 but have been renewed or restructured after 15 March 2020, it may be used as an alternative compliance if the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day. In the determination of the increase in the loan portfolio, accrued interest and accumulated charges which have been capitalized or made part of the principal of the restructured loan must be excluded. Moreover, the loan should not be hypothecated or encumbered in any way, or rediscounted with the BSP or earmarked for any other purpose. In computing the reserve position, the loan shall be valued at amortized cost, gross of allowance for credit losses, but excluding accrued and accumulated charges which have been capitalized or made part of the principal of restructured loans.

Loan Limit to a Single Borrower

Under the General Banking Law and its implementing regulations, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any borrower shall at no time exceed 25.0 %. of the net worth of such bank (or 30.0 %. of the net worth of the bank in the event that certain types and levels of security are provided). This ceiling may be adjusted by the Monetary Board from time to time. In light of the Covid-19 pandemic, BSP Memorandum No. M-2022- 004 has set the ceiling to 30.0 %. until 31 December 2022.

Pursuant to the General Banking Law, the basis for determining compliance with the single borrower's limit is the total credit commitment of the bank to or on behalf of the borrower, which includes outstanding loans and other credit accommodations, deferred letters of credit (**LCs**) less margin deposits and guarantees. Except as specifically provided in the Manual, total credit commitment is determined on a credit risk-weighted basis consistent with existing regulations.

Other credit accommodations refer to credit and specific market risk exposures of banks arising from accommodations other than loans such as receivables (sales contract receivables, accounts receivables and other receivables), and debt securities booked as investments.

Among the items excluded from the determination of the loan limit are: (a) loans and other credit accommodations secured by obligations of the BSP or of the Government, (b) loans and other credit accommodations fully guaranteed by the Government as to payment of principal and interest, (c) loans and other credit accommodations secured by U.S. treasury notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies, (d) loans and other credit accommodations to the extent covered by hold-out on or assignment of deposits maintained in the lending bank and held in the Philippines, (e) loans, credit accommodations and acceptances under LCs to the extent covered by margin deposits, (f) debt securities acquired as a result of market making activities pursuant to the rules and guidelines of the SEC and the market or exchange where such securities are traded and/or enrolled and (g) other loans or credit accommodations which the Monetary Board of the BSP may from time to time specify as non-risk items. For debt securities, the exclusion shall only be for a period of 90 days if acquired between 1 August 2020 to 31 July 2021, and 60 days if acquired from 1 August 2021 onwards as provided under BSP Circular No. 1091. On 13 December 2023, the BSP issued Circular No. 1185 which approved the grant of additional single borrower's limit of 15 %. percent of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities related to decarbonization.

Trust Regulation

The Manual contains the regulations governing the grant of authority to and the management, administration and conduct of trust, other fiduciary business and investment management activities of trust corporations and financial institutions allowed by law to perform such operations. Trust corporations, banks and investment houses may engage in trust and other fiduciary business after complying with the requirements imposed by the Manual. The Bank may, under its charter documents, accept and manage trust funds and properties and carry on the business of a trust corporation. BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorized to engage in trust and other fiduciary business shall maintain reserves on trust and other fiduciary account, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganization; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) Personal Equity And Retirement Account (**PERA**); (13) legislated and quasi-judicial trust; and (l4) specialized institutional accounts under trust.

Foreign Currency Deposit System

A FCDU is a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions. Commercial banks which meet the net worth or combined capital accounts and profitability requirements prescribed by the Monetary Board of the BSP may be authorized to operate an expanded FCDU. Thrift banks with a net worth or combined capital accounts of at least ₱325.0 million if they are located in Metro Manila, and ₱52.0 million if they are located outside Metro Manila, may be authorized to operate FCDUs.

In general, FCDUs of such banks may, in any acceptable foreign currency (a) accept deposits and trust accounts from residents and non-residents; (b) deposit with foreign banks abroad, offshore banking units (**OBUs**) and other FCDUs/Expanded FCDUs (**EFCDUs**); (c) invest in foreign currency- denominated debt instruments; (d) grant short-term foreign currency loans as may be allowed by the BSP; (e) borrow from other FCDUs/EFCDUs, from non-residents and OBUs, subject to existing rules on foreign borrowings; (f) engage in foreign currency to foreign currency swaps with the BSP, OBUs and FCDUs; (g) engage in securities lending activities as lender, subject to certain conditions; (h) engage in repurchase agreements involving foreign currency denominated government securities; (i) purchase foreign currency denominated securities under resale agreements from other banks' FCDUs/EFCDUs, non-resident financial institutions and OBUs; (j) issue Hybrid Tier 1 (**HT1**) capital instruments subject to the requirements under existing regulations; and (k) engage in U.S.$- denominated repurchase agreements with the BSP. In addition to the foregoing, commercial banks and universal banks may: (a) engage in foreign exchange trading and, with prior BSP approval, engage in financial futures and options trading; (b) on request/instruction from its foreign correspondent banks, provided that the foreign correspondent banks deposit sufficient foreign exchange with the FCDU, (i) issue LCs for a non-resident importer in favor of a non-resident exporter, (ii) pay, accept, or negotiate drafts/bills of exchange drawn under the LC and (iii) make payment to the order of the non-resident exporter; (c) engage in the direct purchase of export bills of resident exporters, subject to certain conditions; and (d) invest in foreign currency denominated structured products issued by banks and special purpose vehicles (**SPVs**) of high credit quality, subject to the provisions of the MORB. FCDUs are required to maintain a 100.0 %. cover for their foreign currency liabilities, except for U.S.$- denominated repurchase agreements with the BSP, and at least 30.0 %. of the cover requirement for foreign currency liabilities must be in the form of liquid assets. The 100.0 %. asset cover and 30.0 %. to be held in the form of liquid assets must be unencumbered, except as otherwise provided in the Manual of Regulations for Foreign Exchange Transactions. FCDUs of universal and commercial banks and thrift banks have the option to maintain foreign currency deposits with the BSP equivalent to 15.0 %. of their foreign currency deposit liabilities as a form of foreign exchange cover.

Effective on 1 January 2019, however, pursuant to BSP Circular No. 996, the liquid asset cover requirement for FCDU/EFCDU liabilities for universal, commercial, thrift, rural and cooperative banks is 0 %.

BSP Circular No. 1134 (2021) amended provisions in the FX Manual. Universal banks, commercial banks, thrift banks, Islamic banks, and digital banks may accept foreign currency deposits as provided under R.A. No. 6426 or the Foreign Currency Deposit Act. Universal banks, commercial banks, and Islamic banks are authorized to operate an EFCDU, while thrift banks, digital banks, and RB/Coops are authorized to operate an FCDU as long the respective bank has the pre-qualification requirements for the corresponding license type. The guidelines on lending foreign currency funds to the bank's RBU have also been amended by the deletion of Appendix 14. The requirement of submitting Appendix 14 signifies that the outstanding balance on funds borrowed from FCDU/EFCDU did not exceed the prescribed cap of 30%. of the level of FCDU/EFCDU deposit liabilities. Under the amended guidelines, there is no longer a prescribed cap.

Under Circular No. 1134 dated 28 December 2021, appendices 13 and 14 of the FX Manual on the guidelines on the availment of US Dollar-Denominated Repurchase Agreement Facility with the BSP, and the Sworn Certificate of FCDU/EFCDU lending to RBU, respectively have been deleted. Recently, Circular 1197 which introduced amendments to foreign exchange regulations covering reporting guidelines and penalty provisions, including the sworn certification of compliance with FCDU/EFCDU cover requirements.

On 5 February 2025, the Capital Market Efficiency Promotion Act (CMEPA), which consolidated Senate Bill No. 2865 and House Bill No. 9277, was approved on third reading by the Philippine Congress. The proposed amendments under the CMEPA include removal of the tax-exempt status of interest income received by non-residents, whether individuals or corporations, from transactions with depository banks under the expanded foreign currency deposit system.

Lending Policies, Secured and Unsecured Lending

Banks are generally required to ascertain the purpose of a proposed loan, and the proceeds of the loan are to be used for that purpose only. Under existing regulations, total real estate loans of universal and commercial banks should not exceed 20% of their total loan portfolio, net of interbank loans, with certain exceptions under the BSP MORB.

In accordance with the BSP Circular No. 855 issued on 29 October 2014, BSP-supervised financial institutions are mandated to have adequate and effective credit risk management systems commensurate to their credit risk-taking activities. The BSP shall evaluate the financial institution's credit risk management system on both the individual and subsidiary levels, and if the BSP determines that the financial institution's risk exposures are excessive relative to its capital, the BSP may direct the institution to reduce its exposure to an appropriate level. A loan may be considered secured by collateral to the extent the estimated value of net proceeds at disposition of such collateral can be used without legal impediment to settle the principal and accrued interest of such loan, provided that such collateral has an established market and the valuation methodology used is sound. In the case of real estate collateral, the maximum collateral value shall be 60% of its appraised value, while in the case of cash and standby letters of credit, the maximum collateral value shall be 100% of its appraised value. A loan may also be considered as secured to the extent covered by a third-party financial guarantee or surety arrangement where the credit enhancement provider is itself considered to be of high credit quality (credit rating of at least AA or equivalent) or is considered to be such by the BSP. Finally, a loan may be secured by a combination of acceptable collateral and guarantee arrangements as defined above, provided such arrangements are independent of one another for credit enhancement purposes.

The BSP also clarified that the collateral cap on real estate mortgages is not the same as a loan-to- value ratio limit, or a minimum borrower equity requirement, which remains a bank-determined policy (and averages 20.0 %. under current industry practice according to the BSP). Under the enhanced guidelines of the BSP, however, the bank's internal policy on minimum borrower equity will be subject to closer regulatory scrutiny as to whether it is prudent given the risk profile of its target market. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial condition and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any lending should be only for a time period essential for completion of the operations to be financed.

On 27 June 2014, the BSP issued BSP Circular No. 839 adopting a prudential real estate stress test ("**REST**") limit for universal, commercial and thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST limit combines a macroprudential overlay of a severe test scenario, the principal of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Real estate exposures are those defined in Memorandum No. M-2012-046 and include other real estate property of the banks such as those recorded under Real and Other Properties Acquired and Non-Current Assets Held for Sale. For purposes of the circular, a stress test will be undertaken on a bank's Real Estate Exposure and other real estate property under an assumed write- off rate of 25%.

For universal and commercial banks, the prudential REST limits are 6% of CET1 capital ratio and 10% of risk-based CAR, on a solo and consolidated basis under the prescribed write-off rate.

In light of the pandemic, the BSP issued Circular 1133 to provide relief to the unbanked and underserved population. Effective 3 January 2022, the following ceilings on interest rates and other fees for covered loans are as follows:

1. A nominal interest rate ceiling equivalent to 6% per month (0.2% per day).
2. An effective interest rate ceiling equivalent to 15 percent per month (0.5% per day), which shall include the nominal interest rate along with all other applicable fees and charges (i.e. processing fees, service fees, notarial fees, handling fees and verification fees, among others), but excluding fees and penalties for late payment or non-payment.
3. A cap on penalties for late payment or non-payment at 5% per month on the outstanding scheduled amount due.
4. A total cost cap of 100% of the total amount borrowed (applying to all interest, other fees and charges, and penalties) regardless of time the loan has been outstanding.

On 19 January 2023, the BSP issued Circular 1165 which amends the ceiling on interest or finance charges for credit card receivables to an annual rate of 36% from the 24% cap imposed by BSP Circular No. 1098, which was issued to alleviate the burden on Filipino consumers due to the COVID-19 pandemic. The circular provides that banks may now impose a maximum annual interest rate of 36% except for credit card installment loans which shall be subject to a monthly add-on rate not exceeding one percent (1%). For credit card cash advances, in addition to the foregoing interest rates, no other fee or charge shall be imposed apart from the maximum processing fee of ₱200.00 per transaction. These fees and rates are subject to the review by the BSP every six (6) months.

Mandatory Lending Requirements

Republic Act No. 11901, or the Agricultural, Fisheries and Rural Development Financing Enhancement Act of 2022 (Agri-Agra Law), which lapsed into law on July 28, 2022 and repealed Republic Act No. 10000 or The Agri-Agra Reform Credit Act of 2009. The Agri-Agra Law mandates all banking institutions, whether private or government, to set aside at least 25% of their total loanable funds for agriculture and fisheries credit in general. The law gives more flexibility to the banks in extending credit to the agriculture and agrarian reform sectors as the law removed the required allocation of credit between the agrarian reform beneficiaries (10%) and agricultural beneficiaries (15%) under the Agri-Agra Law. Under the law, banks may also comply through the various alternative forms of compliance.

Banks that fail to comply or only partially comply with the minimum requirements under the Agri-Agra Law shall be penalized by the BSP with an annual monetary penalty and/or administrative sanctions. The law also provides that banks which are unable to directly lend to rural community beneficiaries may invest in debt and equity securities, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others.

On 3 December 2020, the BSP issued Memorandum No. M-2020-086, which allowed housing loans granted from 15 September 2020 to 31 December 2020 as an alternative mode of compliance with the mandatory agrarian credit allocation. Housing loans include all loans granted to individuals, fully secured by the first mortgage on residential property that is or will be occupied by the borrower as well as housing microfinance loans as provided under Section 314 of the MORB. On 3 March 2021, the BSP issued Circular No. 1111, amending Section 331 of the MORB in order to implement the provisions of the Implementing Rules and Regulations of R.A. No. 10000. The 25% mandatory agriculture, fisheries and agrarian reform credit allocation may be complied with through:

1. Actual extension of loans undertaken after 20 April 2010 to qualified borrowers for financing agriculture, fisheries, and agrarian reform activities other than loans rediscounted with universal or commercial banks or loans to the extent funded by proceeds from bonds issued for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector in the case of DBP or LBP;
2. Special deposit accounts maintained for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector in the case of Bangko Sentral-accredit rural financial institutions; or
3. Wholesale lending of other banks for the exclusive purpose of on-lending to the agriculture, fisheries, and agrarian reform sector, in the case of Bangko Sentral accredited rural financial institutions.

In complying with the mandatory reform credit, eligible securities purchased after 20 April 2010, and loans and other credits granted after 20 April 2010 may be used as alternative modes.

On 9 June 2023, the BSP issued Circular No. 1174 as a component of the Implementing Rules and Regulations of the Agri-Agra Law, further amending Section 331 of the MORB. The Circular retained the mandatory credit allocation and provided for the reports on the utilization of loanable funds generated which were set aside for mandatory agriculture, fisheries and rural development financing.

Republic Act No. 9501, also known as the Magna Carta for Micro, Small and Medium Enterprises ("**MSMEs**"), provides that for a period of ten years from 17 June 2008, all lending institutions shall set aside at least 8.0% for loans to micro and small enterprises and at least 2.0% for medium enterprises of their total loan portfolio based on their balance sheet as of the end of the previous quarter and make it available for lending to such enterprises. Investments in Government securities will not satisfy such obligation.

In addition, branches or agencies of commercial banks located within certain geographical groupings outside Metro Manila must lend at least 75.0% of total deposits, net of required reserves and total cash in vault, at such branches to businesses in their locality. This requirement is deemed to be complied with if, in the relevant geographical grouping, the bank's total lending for the financing of agricultural and export industries constitutes 60.0% of its deposits. However, for the purposes of compliance with this requirement, loans granted at the head office or other offices to customers in that area may be assigned to the branch in the geographic area in which the customer is located.

Furthermore, Republic Act No. 9178, also known as the Barangay Micro Business Enterprises Act, provides incentives to private banks and financial institutions extending credit to Barangay Micro Business Enterprises ("**BMBEs**"). Accordingly, all loans granted to BMBEs shall be considered as part of alternative compliance with the rules on reservation of funds for the agricultural sector and for small and medium enterprises.

Banks may be allowed to report compliance on a group-wide basis (i.e. on a parent-subsidiary consolidated basis), so that excess compliance of any bank in the group can be used as compliance for any deficient bank in the group, provided that any such subsidiary bank is at least majority-owned by the parent bank, and provided further that the parent bank shall be held responsible for the compliance of the group.

Qualifications of Directors and Officers

On 22 August 2017, BSP issued Circular No. 969, strengthening guidelines on corporate governance in BSP-supervised financial institutions as set out in the Manual. The BSP, through the circular, aimed to align its existing regulations with the Code of Corporate Governance for Publicly-listed Companies issued by the SEC. Pursuant to the Circular, prospective directors have the burden of proving that they possess all the minimum qualifications and none of the disqualifications listed in the Manual and must submit proof to the BSP of their qualification. An elected director must be fit and proper for the position, taking into consideration his integrity/probity, physical/mental fitness, educational/financial literacy/training and other competencies relevant to the job. Each director must also have attended a seminar on corporate governance, subject to certain exemptions. Members of the board of directors may not be appointed as corporate secretary or chief compliance officer of the institution. On 19 February 2024, Circular No. 1188 was issued, introducing amendments to the persons exempted from attending the seminar on corporate governance for board of directors.

Certain persons are permanently disqualified from acting as bank directors or officers, as outlined in BSP Circular No. 1076, Series of 2020. Those permanently disqualified include the following: (a) persons who have been convicted by final judgment of a court (i) for an offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of Batas Pambansa Blg. 22 (which penalizes the issuance of checks that are not sufficiently funded), violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); (b) persons who have been convicted by final judgment of a court or other tribunal for violation of banking laws, rules and regulations; (c) persons who have been convicted by final judgment for cases filed against them for offenses under Republic Act No. 3591, as amended ("**PDIC Charter**"); (d) persons who have been convicted by final judgment of a court for offenses which involve moral turpitude, or for offenses which they were sentence to serve a term of imprisonment of more than six years; (e) persons who have been judicially declared insolvent, spendthrift, or incapacitated to contract; (f) persons who were found to be culpable for the bank's closure, as determined by the Monetary Board; (g) persons found by the Monetary Board to be administratively liable for violation of laws, rules, or regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; and (h) persons found liable by any government agency/corporation, including government financial institutions, for violation of any law, rule, or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affect their fitness and propriety as directors or officers, and which finding of said government institution has become final and executory.

Meanwhile, certain persons are temporarily disqualified from holding a director or officer position, including:

- Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances: (a) the person has failed to satisfy any financial obligation that has been adjudicated by court; (b) the person has filed for insolvency or suspension of payments that adversely affects his or her fitness and propriety as director or officer; or (c) a person who is delinquent in the payment of an obligation with a bank where he or she is a director or officer, or at least two obligations with other banks or financial intermediaries. They shall remain temporarily disqualified until the financial obligation has been settled or satisfied;

- Persons involved in the closure of banks pending their closure by the Monetary Board.

- Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe or discharge their duties and responsibilities prescribed under

  existing regulations, that (a) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith, or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the BSP or to the public in general; or (c) exposed the safety, stability, liquidity, or solvency of the bank to abnormal risk or danger;

- Persons found to have been involved in any irregularity or violation which constitutes a just cause for dismissal or termination as defined under the Labor Code of the Philippines, as amended, regardless of any action by the bank;

- Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule, or regulation which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his or her duties;

- Persons, other than those disqualified due to crimes involving moral turpitude, who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies such as the SEC, AMLC, or PDIC, have complaints filed against them by the aforementioned agencies, units, or authorities pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his or her duties;

- Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of Batas Pambansa Blg. 22 (which penalizes the issuance of checks that are not sufficiently funded), violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), (b) persons who have been convicted by final judgment of a court or other tribunal for violation of banking laws, rules, and regulations;

- Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six years for other crimes but whose conviction has not become final and executory;

- Persons with pending cases for offenses under the PDIC Charter or those who have been convicted for said cases but whose conviction has not yet become final and executory;

- Persons found by the Monetary Board to be administratively liable for violation of laws, rules, and regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and

- Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institutions, for violation of any law, rule, or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affect their fitness and propriety as directors or officers, and which finding of said government institution is on appeal and the execution or enforcement thereof is restrained by the appellate court.

Resignation or retirement from his or her office would not exempt the director or officer from being permanently or temporarily disqualified.

BSP Circular No. 1076, Series of 2020 also provides a list of those prohibited from becoming officers of a bank, including any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or controlled corporations, or in cases allowed under existing laws.

Under BSP Circular No. 969, independent directors shall have the additional qualifications that he or she: (a) is not or has not been an officer or employee of the bank, its subsidiaries or affiliates within three years from his election; (b) is not a director or officer of the bank's majority stockholder and of its related companies within three years from his election; (c) is not an owner of more than 2%. of the outstanding shares or a stockholder of the bank with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders; (d) is not a close family member (spouse, parent, child, brother, sister, parent-in-law, son/daughter-in-law, and brother-/sister-in-law) of any director, officer or a shareholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies, or any of its substantial shareholders; (e) is not acting as a nominee or representative of any director or substantial shareholder or any of its related companies; and (f) is not retained as a professional adviser, consultant or counsel of the bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; (g) is independent of the management and free from any business or other relationship; and (h) was not appointed in the bank, its subsidiaries, affiliates, or related interests as Chairman "Emeritus," "Ex-Officio," Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three years from the date of appointment; (i) is not affiliated with any non-profit organization that receives significant funding from the bank or any of its related companies or substantial shareholders; and (j) is not employed as an executive officer of another company where any of the bank's executives serve as directors. BSP Circular No. 1129, Series of 2021 amended BSP Circular No. 969, adding a maximum cumulative term for independent directors set to nine years. In the case of cooperative banks, the maximum cumulative term shall be eight years. Once the maximum cumulative term has been reached, the independent director shall be perpetually barred from serving as an independent director in the same BSFI, but may serve as a regular director. This maximum cumulative term rule shall be reckoned from 2012.

On 11 February 2022, the BSP clarified the coverage of the BSP confirmation of appointment of officers of BSFIs, either by the Monetary Board or the Financial Supervision Sector ("**FSS**") Committee. Under amendment introduced by BSP Circular No. 1136, only the following are subject to confirmation by the corresponding confirming authority:

1. By the Monetary Board: (a) Directors and Chief Executive Officer ("**CEO**")/President or its equivalent rank of universal and commercial banks including their subsidiary banks, quasi-banks, trust corporations and non-bank financial institutions with trust authority, and all other stand-alone banks, quasi-banks and NBFIs with trust authority, and trust corporations with total assets of at least P10 Billion; (b) Trustees and CEO/President or its equivalent rank of non-stock savings and loan association ("**NSSLA**") with total assets of at least P10 Billion; (c) Heads of internal audit risk management and compliance functions, regardless of rank, of NSSLAs.
2. By the FSS: Directors and Chief Executive Officer/President or its equivalent rank of stand-alone banks, quasi-banks and NBFIs with trust authority, and trust corporations with total assets of less than P10 Billion; (b) Heads of comptrollership/finance, lending, treasury, branch banking and information technology directly reporting to the CEO/President or its equivalent rank or to the foreign bank office and with the rank of Senior Vice President and above of universal and commercial banks; (c) trust offer, regardless of rank, of banks, quasi-banks and NBFIs with trust authority; (d) Trustees and CEO/President or its equivalent rank of non-stock savings and loan association ("**NSSLA**") with total assets of less than P10 Billion; (e) Heads of internal audit risk management and compliance functions, regardless of rank, of NSSLAs.

Loans to DOSRI

The amount of individual outstanding loans, other credit accommodations and guarantees to DOSRI, of which at least 70.0% must be secured, should not exceed an amount equivalent to their unencumbered deposits and book value of their paid-in capital contribution in the bank. In the aggregate, outstanding loans, other credit accommodations and guarantees to DOSRI generally should not exceed 100.0% of the bank's combined capital accounts or 15.0% of the total loan portfolio of the bank, whichever is lower. In no case shall the total unsecured loans, other credit accommodations and guarantees to DOSRI exceed 30.0% of the aggregate ceiling or of their outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the aggregate ceiling on unsecured credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit guarantees and guarantees every week.

On 2 June 2016, the Monetary Board approved the revisions to prudential policies on loans, other credit accommodations and guarantees granted to DOSRIs. The Monetary Board allowed the exclusion of loans granted by a bank to its DOSRI for the purpose of project finance from the 30 %. unsecured individual ceiling during the project gestation phase, provided that the lending bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include a pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts and assignment of project documents.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016, amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposure of subsidiaries and affiliates of banks to priority programs, particularly infrastructure projects under the Philippine Development Plan / Public Investment Program ("**PDP/PIP**") needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to certain conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

On 27 October 2017, the BSP issued Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. The Circular excluded the following in determining compliance with the ceilings provided under Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) Interbank call loans; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

The credit card operations of banks shall not be subject to these regulations where the credit cardholders are the bank's directors, officers, stockholders and their related interests, subject to certain conditions.

Valuation Reserves for Credit Losses Against Loans

As a general rule, banking regulations define past due accounts of a bank as referring to all accounts in a bank's loan portfolio, all receivable components of trading account securities, and other receivables that are not paid at maturity. In the case of loans or receivables payable in instalments, banking regulations consider the total outstanding obligation past due in accordance with the following schedule:

Mode of Payment	Minimum Number of Instalments in Arrears
Monthly	3
Quarterly	1
Semestral	1
Annually	1

However, when the total amount of arrears reaches 20.0% of the total outstanding balance of the loan or receivable, the total outstanding balance of the loan or receivable is considered past due notwithstanding the number of instalments in arrears.

BSP regulations allow loans and advances to be written-off as bad debts only if it can be justified as being uncollectible. The board of directors of the bank has discretion as to the frequency of write-offs provided that these are made against provisions for credit losses or against current operations. The prior approval of the Monetary Board of the BSP is required to write off loans to the bank's directors, officers, stockholders and their related interests. On 21 October 2021, BSP Memorandum No. M-2021- 056 was issued, providing guidelines on the regulatory treatment of restructured loans for purposes of measuring expected credit losses.

In accordance with BSP Circular No. 941 dated 20 January 2017, loans, investments, receivables, or any financial asset, including restructured loans, as a general rule shall be considered past due when any principal and/or interest or instalment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due. However, BSP-supervised financial institutions may provide a cure period on a credit product-specific basis, not to exceed 30 calendar days within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due. Any cure period policy shall be based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays.

The observance of a cure period policy shall not preclude the timely adverse classification of an account that has developed material credit weakness(es), and the BSP-supervised financial institutions are mandated to regularly review the reasonableness of its cure period policy. For microfinance and other small loans that feature high frequency payments, the cure period allowable by policy shall not exceed 10 calendar days. Policies for writing off problem credits must be approved by the board of directors in accordance with defined policies and shall incorporate well-defined criteria under which credit exposure may be written off. Procedures shall explicitly narrate and document the necessary operational steps and processes to execute the policies. Policies shall define and establish the reasonable period of time within which to write off loans already classified as "loss". BSP regulations allow loans and advances to be written-off as bad debts only if it can be justified to be uncollectible. The board of directors of the bank has discretion as to the frequency of write-offs provided that these are made against provisions for credit losses or against current operations. The prior approval of the Monetary Board of the BSP is required to write off loans to the DOSRI.

On 29 October 2014, the BSP issued BSP Circular No. 855 on "Guidelines on Sound Credit Risk Management Practices; Amendments to the Manual of Regulations for Banks and Non-Bank Financial Institutions. The Circular prescribes, among others, guidelines in setting up of allowance for credit losses.

Guidelines on General Reserves

Under the MORB, banks are required to develop and document a sound loan loss methodology that can reasonably estimate provisions for loans and other credit accommodations and risk assets in a timely manner, and to ensure that the specific and collective allowance for credit losses, aggregate amount of individual and collectively assessed probable credit losses are adequate and approximates the expected losses in their credit portfolio. Banks are also required to set up a general loan loss provision equivalent to one percent of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Banks are not required to provide a one percent general provisioning on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments.

Restrictions on Branch Opening

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of law allows banks, with prior approval from the Monetary Board of the BSP, to use any or all of its branches as outlets for the presentation and/or sale of financial products of its allied undertakings or investment house units.

BSP Circular No. 854 (2014) prescribes the amended minimum capitalization for banks in order to be given authority to establish branches, as follows:

Bank Category	**Minimum Capital (in billions)**
Universal Banks with more than 100 branches	₱ 20.0
Universal Banks with 11 to 100 branches	₱ 15.0
Universal Banks with up to 10 branches	₱ 6.0
Universal Banks with Head Office only	₱ 3.0
Commercial Banks with more than 100 branches	₱ 15.0
Commercial Banks with 11 to 100 branches	₱ 10.0
Commercial Banks with up to 10 branches	₱ 4.0
Commercial Banks with Head Office only	₱ 2.0
Thrift Banks:	
With Head Office within NCR and with more than 50 branches	₱ 2.0
With Head office in all other areas outside NCR and with more than 50 branches	₱ 0.8
Rural and Cooperative Banks:	
Head Office in NCR and more than 50 branches	₱ 0.2
Head Office in all other areas outside NCR (all cities up to third class municipalities) with more than 50 branches	₱ 0.08
Head Office in all other areas outside NCR (fourth to sixth class municipalities) with more than 50 branches	₱ 0.04

Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Once approved, a branch should be opened within six months from the date of approval (extendable for another six-month period, upon the presentation of justification therefor). Under the Manual, as amended by BSP Circular No. 759 (2012), banks may establish as many branches as its Qualifying Capital can support taking into account any approved but unopened branch(es) outstanding at the time of application. Approved branches shall be opened within one year from the date of approval thereof, subject to extension on a case-to-case basis, but in no case exceeding three years, while approved Other Banking Offices (OBOs) shall be opened within one year from date of approval thereof, which shall not be subject to any extension. Requirements for opening branches/OBOs are also contained in BSP Circular No. 759.

Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks were allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Parañaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. Note, however, that under BSP Circular No. 728 (2011), the restrictions on establishment of branches have been fully lifted as of 1 July 2014, subject to certain requirements. BSP Circular No. 759 liberalized its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules. In BSP Circular No. 987 Series of 2017, the BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the MORB. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

Under the first phase, second-tier universal and commercial banks with capital accounts of at least ₱10 billion and thrift banks with capital of at least ₱3 billion that have fewer than 200 branches in restricted areas as of December 2010 were allowed to apply and establish branches in these restricted areas until 30 June 2014. The second phase of the current liberalization approach began on 1 July 2014, pursuant to which all banks (except rural and cooperative banks that are not allowed to establish branches in Metro Manila) were able to apply and establish branches in previously restricted areas, subject to certain requirements.

At present, pursuant to BSP Circular No. 932 (2016), all banks, including rural and cooperative banks, as a general rule are now allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas.

Branches of microfinance-orientated banks, microfinance-orientated branches of regular banks and branches that will cater primarily to the credit needs of BMBEs duly registered under the Barangay Micro Business Enterprises Act of 2002 (Rep Act No. 9178) may be established anywhere upon the fulfilment of certain conditions.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (API) and the good practices for API management.

OTHER LAWS AND REGULATIONS

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on 20 February 2019 and became effective on 8 March 2019. Salient features of this law include the following:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Securities and Exchange Commission ("**Commission**") that it elects to retain its specific corporate term under its current Articles of Incorporation.

- A corporation vested with public interest must submit to its shareholders and to the Commission an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

- Banks, quasi-banks, pawnshops, NSSLA, and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have independent directors composing at least 20% of the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Commission.

- The Code allows the creation of a "One Person Corporation". However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such.

- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- The right of stockholders to vote in the election of directors or trustees, or in shareholders' meetings, may now be done through remote communication or in absentia if authorised by the corporate by-laws. However, as to corporations vested with public interest, these modes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of establishing quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- As to amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires submission of a certificate issued by the appropriate government agency to the effect that such by-laws or amendments are in accordance with law.

- A favourable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation or any voluntary dissolution.

- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring, creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

Anti-Money Laundering Law

The AMLA was passed on 29 September 2001 and was most recently amended on 19 July 2017. Under its provisions, as amended, certain financial intermediaries, including a bank's offshore banking units, quasi-banks, trust entities, non-stock savings and loan associations, all other institutions including their subsidiaries and affiliates supervised and/or regulated by the BSP and insurance companies and/or institutions regulated by the Philippines' Insurance Commission, are required to submit a "covered" transaction report involving a single transaction in cash or other equivalent monetary instruments in excess of ₱500,000 within one banking day.

Covered institutions are also required to submit a "suspicious" transaction report if there are reasonable grounds to believe that any amounts processed are the proceeds of money laundering activities. These transactions are required to be reported to the Anti-Money Laundering Council of the Philippines (the **AMLC**) of the BSP within five working days from the occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 days. The Court of Appeals, upon verified *ex parte* petition by the AMLC and after determination of the probable cause that the monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, may issue a freeze order, which shall be effective immediately, over such monetary instrument or property.

BSP Circular No. 495 (2005) as amended by BSP Circular No. 527 (2006) requires all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at a minimum, be able to detect and raise to the bank's attention, transactions and/or accounts that qualify either as "covered transactions" or "suspicious transactions" as defined under the AMLA.

BSP Memorandum No. M2012-017 (April 2012) likewise requires all covered banking institutions to comply with the AML Risk Rating System (the **ARRS**), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound AML policies and procedures embodied in a money laundering and terrorist financing prevention programme duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Memorandum No. M-2020-84 (November 2020) provided for the adoption of the Money Laundering/Terrorist Financing Risk Assessment System (**MRAS**), replacing the ARRS. MRAS assesses the inherent money laundering/terrorist financing risk and the quality of the risk management system of a BSFI in order to determine the net money laundering/terrorist financing risk of a BSFI. The system uses a four-point rating scale in its assessment: high (excessive level of residual risk), above average (substantial level of residual risk), moderate (manageable level of residual risk), and low (marginal level of residual risk).

Institutions that are subject to the AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of five years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

In 2012, two amendments to the Philippines' AML regime came into effect, Republic Act No. 10167 and Republic Act No. 10168. Republic Act No. 10167 amended Section 10 of the AMLA, which requires that a petition to the Court of Appeals for an order to freeze accounts be verified. Furthermore, the Court of Appeals must act on the petition within a period of 24 hours of filing. The affected depositor's remedy would be to file a motion to lift, which the Court of Appeals must resolve within the 20-day freeze period.

Section 11 of the AMLA was likewise amended. Section 11 now provides that the AMLC is authorized to examine bank accounts "upon order of any competent court based on an *ex parte* application". However, the same provision sets out additional instances when no court application is required.

Further to the above, an order to examine bank accounts receives the same treatment by the Court of Appeals as an order to freeze accounts. Now, the Court of Appeals is compelled to act on such applications within 24 hours of filing.

Also, R.A. No. 10167 has expanded the coverage of AMLC to enable inquiries into so-called "related accounts", defined as: "funds and sources of which originated from and/or are materially linked to the monetary instrument(s) or property(ies) subject of the freeze order(s)".

Republic Act No. 10168 defined the crime of financing of terrorism, in accordance with the state policy to protect life, liberty and property from acts of terrorism. The offence is committed by one who "directly or indirectly, willfully and without lawful excuse, possesses, provides, collects, or uses property or funds or makes available property, funds or financial services or other related services, by any means, with the unlawful and willful intention that they should be used or with the knowledge that they are to be used, in full and in part: (a) to carry out or facilitate the commission of any terrorist act; (b) by a terrorist organization, association, or group; or (c) by an individual terrorist".

On 15 February 2013, Republic Act No. 10365 was approved. This amendment expanded the coverage of the AMLA to include "covered persons, natural and juridical". Additions to the enumeration of covered persons include jewelry dealers for transactions in excess of ₱1 million and the Land Registration Authority for real estate purchases in excess of ₱500,000. Furthermore, the enumeration of predicate crimes expanded to include 20 additional crimes including bribery, extortion, malversation of public funds, fraud, and financing of terrorism.

In 2016, the AMLC approved the Revised Implementing Rules and Regulations of the AMLA. On 15 March 2017, the BSP issued BSP circular no. 950 which further expanded covered persons to include company service providers, and person who manage their client's money, security or other assets, manage bank or securities accounts, organize funds for the creation, operation, or management of companies, create, operate, or manage entities or relationships, or who buy and sell business entities.

In July 2017, Republic Act No. 109271 was signed into law, and it further expanded the coverage of AMLA to include casinos for a single casino cash transaction involving an amount in excess of ₱5.0 million or its equivalent in any other currency. The measure requires casinos to report suspicious transactions to the AMLC. This amendment was one of the recommendations of the Financial Action Task Force (FATF), a global anti-money laundering and anti-terrorism watchdog. Furthermore, the law provides that: (a) a freeze order issued by the Court of Appeals pursuant to an ex parte petition by the AMLC shall not exceed six months and if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order shall be deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets; and (b) a freeze order or asset preservation order shall be limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime. In January 2021, AMLC issued Resolution No. 27 amending the implementing rules and regulations of R.A. No. 9160. The amendment added as a covered transaction, a cash transaction with or involving real estate developers or brokers exceeding ₱7.5 Million or its equivalent in any other currency.

The AMLC plays a central role in the enforcement of this law as the AMLC, *motu propio* or at the request of the Anti-Terrorism Council, is authorized to investigate in order for it to ascertain that there is probable cause that the financing of terrorism is being conducted, planned or facilitated. When the AMLC is satisfied that funds are for terrorist funding, it can issue an *ex parte* order to freeze, without delay, funds which it has "determined to be related to financing of terrorism or acts of terrorism" or where there is probable cause to believe that funds are to be used in connection with terrorist activities.

In order to assist the AMLC in its investigations, it released guidelines on the digitization of customer records ("**DIGICUR**") in 2018. Under DIGICUR, all covered persons must digitize all customer records. The AMLC, in AMLC Regulatory Issuance ("**ARI**") No. 6 Series of 2021, granted a final extension for covered persons to comply with DIGICUR until 30 September 2022, and non-compliance with DIGICUR will result in a penalty between ₱37,500 to ₱375,000 per customer. Moreover, the covered persons must submit a quarterly DIGICUR Status Report of Compliance ("**QUADSREC**") within 15 calendar days after each reference quarter, with the first report submitted on or before 31 October 2021. The submission of the QUADSREC must be continuously done until the covered person has fully complied with the requirements under DIGICUR. As an exemption, covered persons who do not maintain an account or e-wallet for their customers need not comply with DIGICUR and would only need to submit a QUADSREC once, indicating that they are exempt from the coverage of DIGICUR. This must be submitted on or before 31 October 2021.

On 20 April 2018, the AMLC issued AMLC Letter No. AMLET-18-03, providing for Operational Guidelines in the Conduct of the 2018 Third Round Mutual Evaluation of the Philippines. The guidelines aim to (a) create an inter-agency Mutual Evaluation Working Group and sub-working groups; (b) enumerate the functions and obligations of the member-agencies with respect to the Mutual Evaluation process; (c) outline the Mutual Evaluation process and provide guidance as to the different components of the process; (d) provide timelines for the Mutual Evaluation process and Mutual Evaluation-related activities; (e) enumerate effects of a "non-compliant" or "poor" Mutual Evaluation; and (f) lay down the framework towards the adoption of a national anti-money laundering/counter-financing of terrorism ("**AML/CFT**") Strategy. The Guidelines are addressed to all participating government agencies and other entities.

The Mutual Evaluation is a government-wide concern given that the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime will be assessed. The entire Mutual Evaluation process spans two (2) years and will require the support and active participation of various government agencies, including supervisory authorities, law enforcement agencies, and public and private stakeholders. The Philippines will be evaluated by a pool of experts from Financial Intelligence Units from other member-jurisdictions of the Asia-Pacific Group on Money Laundering ("**APG**"), pursuant to the APG's membership rules.

On 27 November 2018, the 2018 Implementing Rules and Regulations of the AMLA took effect. This incorporated the amendments under Republic Act No. 10972, which included casinos as covered persons. However, implementation by casinos of AMLA will continue to be governed by the existing Casino Implementing Rules and Regulations. These implementing rules and regulations feature new rules on the AMLC's coordination with law enforcement agencies, beneficial ownership, customer due diligence and national risk management and assessment. In relation thereto, on 14 January 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs on the guidelines issued by the AMLC on digitization of customer records and identification of beneficial owners.

On 29 January 2020, the AMLC issued AMLC Regulatory Issuance ("**ARI**") A, B and C No. 1 (2020), which amends certain provisions of the 2018 implementing Rules and Regulations of Republic Act No. 9160, as amended. The ARI added provisions on immediate family members and close associates of politically-exposed persons ("**PEPs**") and expanded the definition of a customer or client to include juridical persons.

On 18 July 2020, Republic Act No. 11479 or the Anti-Terrorism Act of 2020 ("**Anti-Terrorism Act**") became effective. The Anti-Terrorism Act repealed Republic Act No. 9372 or the Human Security Act to provide stricter penalties and regulations against the inimical acts of terrorism. Section 35 of the Anti- Terrorism Act authorizes the Anti-Money Laundering Council ("**AMLC**"), either upon its own initiative or at the request of the Anti-Terrorism Council, to investigate: (a) any property or funds that are in any way related to financing of terrorism or violation of Sections 4, 6, 7, 10, 11, or 12 of the Anti-Terrorism Act; and (b) property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of the aforementioned sections. In this regard, the AMLC is authorized to inquire into or examine deposits and investments with any banking institution or non-bank financial institution and their subsidiaries and affiliates without a court order. It also provides penalties to any person who maliciously, or without authorization, examines deposits, placements, trust accounts, assets, or records in a bank or financial institution and any employee, official, or a member of the board of directors of a bank or financial institution, who after being duly served with the written order of authorization from the Court of Appeals, refuses to allow the examination of the deposits, placements, trust accounts, assets, and records of a terrorist or an outlawed group of persons, organization, or association.

On 23 November 2020, the BSP issued Memorandum No. M-2020-084, which refers to the money laundering/terrorist/proliferation financing risk assessment system ("**MRAS**") applicable to BSP- supervised financial institutions.

On 30 March 2023, BSP Circular No. 1170, s. 2023 was issued which amended the provisions of the Manual of Regulation for Banks on Customer Due Diligence ("**CDD**"). The circular provides that "where a covered person is unable to comply with the relevant CDD measures, considering risk-based approach, it shall (a) not open the account, commence business relations, or perform the transaction; or (b) terminate the business relationship; but in both cases, it shall consider filing a suspicious transaction report ("**STR**") in relation to the customer." The circular also includes the guidelines for the use of the Electronic Know Your Customer system as a method of electronically verifying the credentials of a customer.

On 4 July 2023, the Office of the President issued Memorandum Circular No. 33, adopting the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027. This strategy outlines seven strategic objectives designed to address the risks and deficiencies in the Philippines' AML/CFT systems. Each objective includes action plan items to be completed by relevant government agencies. The strategy aims to respond to findings from the Asia Pacific Group on Money Laundering and the FATF, which placed the Philippines on the Grey List, or "Jurisdictions Under Increased Monitoring," after a twelve-month observation period due to the country's failure to make tangible progress on key FATF recommendations. By reorganizing the National AML/CFT Coordinating Committee and implementing the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027, the Philippine government aims to enhance the effectiveness of its AML, CFT, and CPF measures and facilitate the country's removal from the FATF Grey List.

On 21 February 2025, the AMLC announced the removal of the Philippines from the FATF's Grey List. According to the AMLC, the Philippines' exit from the FATF grey list is expected to facilitate faster and lower- cost cross-border transactions, reduce compliance barriers, and enhance financial transparency. These will support business, strengthen the country's position as an attractive destination for foreign direct investment, and benefit Filipinos, particularly overseas Filipino workers.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of the bank's products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to more secure Europay, MasterCard and Visa (**EMV**) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which govern the implementation for debit cards in any card- accepting device/terminal. As of 1 January 2017, all cards issued and card-accepting devices are required to be EMV-compliant. Prior to full compliance, failure on the part of BSFIs to submit and implement their EMV migration plan is subject to additional enforcement actions. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSP-supervised financial institutions are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offense and will subject these institutions to monetary sanctions provided under relevant provisions of the Manual.

On 22 February 2019, the BSP issued BSP Circular No. 1033 introducing certain amendments to the regulations on electronic banking services and other electronic operations, particularly electronic payment and financial services (**EPFS**). EPFS are products and services that enable customers to receive payments or initiate financial transactions and other related services through an electronic device. BSP Circular No. 1033 requires parties to obtain the approval of the BSP prior to offering EPFS and to meet certain BSP reporting requirements.

On 1 June 2020, the BSP issued Memorandum No. M-2020-047 reminding BSFIs to exercise caution when publicly promoting themselves as "digital banks" and clarified that no distinct "digital banking" license is issued to institutions that have pursued a digital-centric business model. Instead, institutions offering digital-centric financial services are either existing or have applied as a universal, commercial, thrift, or rural bank that conduct electronic banking services under the specific rules laid out in BSP Circular No. 1033.

On 21 January 2022, the BSP issued BSP Circular No. 1135, providing for the Guidelines on the Settlement of Electronic Payments Under the National Retail Payment System **(NRPS**) Framework. This is in line with the BSP's goal to ensure the efficiency of payment systems in the country. In line with this, the BSP requires BSFIs participating in an Automated Clearing House (**ACH**) for electronic payments to ensure that the ACH provides certainty of settlements of the multilateral clearing obligations of the clearing participants.

On 7 February 2023, BSP Circular No. 1166 or the Amendments to the Regulations on Electronic Money (**E-Money**) and the Operations of Electronic Money Issuers (**EMI**) in the Philippines. The amended guidelines cover BSFIs that issue E-money and engage in the E-money business in the Philippines. Additionally, the amended guidelines provide that banks may offer E-money services subject to prior approval of the BSP under an EPFS license. The guidelines provide for minimum disclosure requirements that BSFIs must include in the terms and conditions that customers must acknowledge prior to the availment of e-money services. Further, the guidelines require BSFIs to have sufficient liquidity requirements to meet E-money redemptions and provide minimum amounts for BSFIs with outstanding E-money balance of at least ₱100 million and those with outstanding E-money balance below ₱100 million.

Under the Circular, EMI banks are required to have minimum capitalization, which is the higher of the bank's required capitalization depending on its bank category or the bank's required capitalization based on EMI category. Moreover, large-scale EMI banks are required to have a minimum capital of ₱200 million, whereas small-scale EMI banks are required to have a minimum capital of ₱100 million. Monetary penalty or a non-monetary penalty as may be authorized by the Monetary Board may be imposed as sanction on a BSFI and/or its directors/officers, in case of violation of the guidelines.

Finally, BSP Memorandum No. M-2023-037 was issued on 15 December 2023, providing for the Moratorium on Increase of Fee for InstaPay and PESONet transactions to participants who currently charge transfer fees for person-to-person fund transfers via InstaPay and PESONet, which directed said participants to maintain said fees.

Virtual Asset Service Providers

On 26 January 2021, the BSP issued Circular No. 1108 which provides the guidelines and regulations governing the grant of authority to and the management and administration of Virtual Asset Service Providers (**VASPs**). Under the Circular, the BSP recognizes that once fiat currency (the legal tender of an issuing country) is exchanged or converted into a Virtual Asset (**VA**), it becomes easily transferrable, facilitating expedient movement or transfer of funds and payment services, among others. Under the guidelines, the covered entities are required to secure a Certificate of Authority to operate as a Money Service Business and are required to observe the capitalization requirements of either ₱50 million or ₱10 million, for VASPs with or without safekeeping and/or administration services aa define in said Circular, respectively.

Virtual asset refers to any type of digital unit that can be digitally traded, or transferred, and can be used for payment or investment purposes. It can be defined as "property", "proceeds", "funds", "funds or other assets", and other "corresponding value". It is used as a medium of exchange or a form of digitally stored value created by agreement within the community of VA users. Notably, digital units of exchange that is used for (a) the payment of goods and services solely provided by its issuer like gift checks; or (b) the payment of virtual goods and services within an online game like gaming tokens, are not considered as virtual assets. VASPs are defined as any entity that offers services or engages in activities that provide facility for the transfer or exchange of VA, which involve the conduct of the following activities: (i) exchange between VAs and fiat currencies; (ii) exchange between one or more forms of VAs; (iii) transfer of VAs; and (iv) safekeeping and/or administration of VAs.

The Circular also defines Money Service Business as financial services that involve the acceptance of cash, checks, other monetary instruments or other stores of value, and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network which the service provider belongs. On 10 August 2022, the BSP issued BSP Memorandum No. M-2022-035 which provides for a modified approach in the grant of VASP Licenses. The regular application window for new VASP licenses has been closed for three (3) years, beginning 1 September 2022, subject to re-assessment by the BSP based on market developments.

Related Party Transactions

On 1 December 2015, the BSP announced that it approved guidelines strengthening oversight and control standards for managing related party transactions. This was further strengthened through the issuance of BSP Circular No. 969. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher degree of standards should be applied to protect the interest of all stakeholders. It is emphasized that related party transactions are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the Manual, a universal or commercial bank which is part of a conglomerate is required to form a Related Party Transactions Committee (**RPT Committee**), composed of at least three members of the board of directors, two of whom must be independent directors, including the chairperson. The committee may not contain non-executive directors, and independent directors must always comprise a majority of the Committee. The RPT Committee has the duty to ensure that all related parties are continuously identified, related party transactions are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. It is also responsible for evaluating all material related party transactions to ensure that these are not undertaken on more favorable economic terms and to ensure that appropriate disclosures are made and/or information is provided to regulating and supervising authorities in respect of the institution's related party transaction exposures. The RPT Committee must also prepare a report to the board on a regular basis, on the status and aggregate exposures to each related party, as well as to all related parties. Lastly, they are tasked with overseeing the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related party transactions, including the periodic review of related party transaction policies and procedures.

On 25 April 2019, the SEC issued Memorandum Circular No. 10-2019 regarding the Rules on Material Related Party Transactions for Publicly-Listed Companies (**SEC MC 10-2019**). Under SEC MC 10- 2019, when the related party transactions amount to 10% or higher of a company's total assets, it is considered a material related party transaction and is disclosable and reportable to the SEC.

Islamic Banking Law

On 22 August 2019, former President Rodrigo R. Duterte signed into law Republic Act No. 11439, or "An Act Providing for the Regulation and Organization of Islamic Banks" ("**Rep. Act No. 11439**"). Under Rep. Act No. 11439, the government recognized the vital role of Islamic banking and finance in creating opportunities for greater financial inclusion especially for the underserved Muslim population, in expanding the funding base for small and medium-sized enterprises as well as large government infrastructure through financial arrangements with risk sharing as their core element, and in contributing to financial stability through the use of financial contracts and services that are founded on risk sharing rather than speculation in compliance with Shari'ah principles.

Rep. Act No. 11439 authorized the establishment of Islamic banks and authorized conventional banks to engage in Islamic banking arrangements, including structures and transactions, through a designated Islamic banking unit within the bank subject to segregation of such banking units (**Islamic banks**). In addition to traditional banking powers and other banking powers that are compliant with *Shari'ah* principles, Islamic banks may perform the following services: (i) accept drafts and issue letters of credit or letters of guarantee, negotiate notes and bills of exchange and other evidence of indebtedness; provided, that such financial instruments are in accordance with the principles of *Shari'ah*; (ii) act as collection agents in respect of payment orders, bills of exchange or other commercial documents covering *Shari'ah* compliant transactions; (iii) provide *Shari'ah* compliant financing contracts and structures; and (iv) make investments in any transactions allowed under *Shari'ah* principles. Islamic banks may also issue investment participation certificates, *sukuk* and other *Shari'ah* compliant funding instruments to be used by the Islamic banks in their operations or capital needs. Islamic banks may also carry out financing and joint investment operations by way of *mudarabah* partnership, *musharakah* joint venture or by decreasing participation, *murabahah* purchasing on a cost-plus financing arrangement, lease (*ijara*) arrangements, construction and manufacture (*istisna'a*) arrangements and other *Shari'ah* compliant contracts and structures and invest funds directly in various projects or through the use of funds whose owners desire to invest jointly with other resources available to the Islamic bank on a joint *mudarabah* basis in accordance with the foregoing arrangements, contracts and structures. On 29 December 2019, the BSP issued Circular No. 1069 and 1070 which, respectively, provided the Guidelines on the Establishment of Islamic Banks and Islamic Banking Units and the Shari'ah Governance Framework for Islamic Banks and Islamic Banking Units. On 23 March 2022, the BSP issued Circular No. 1139 which provides the guidelines for reporting Islamic banking and finance transactions or arrangements. Further, on April 2023, the BSP issued Circular No. 1173 on the modified minimum capitalization of conventional banks with Islamic banking units.

National Payment Systems Act

On 30 October 2018, Congress enacted Republic Act No. 11127, or "An Act Providing for the Regulation and Supervision of Payment Systems" ("**Rep. Act No. 11127**"). Rep. Act No. 11127 seeks to regulate payment systems, recognizing that they are crucial parts of the financial infrastructure of the country. The law defines payment systems as the set of payment instructions, processes, procedures, and participants that ensures the circulation of money or movement of funds. Meanwhile, the same law defines operators as persons who provide clearing or settlement services in a payment system, or define, prescribe, design, control, or maintain the operational framework of the payment system.

Under Rep. Act No. 11127, all operators of payment systems must register with the BSP. Furthermore, the SEC can no longer register the articles of incorporation of any operator of a designated payment system, or any amendment thereto, or otherwise issue to an operator a license to do business in the Philippines, unless accompanied by a certificate of authority from the Monetary Board, under its seal. The SEC shall also not register the by-laws of an operator of a designated payment system, or any amendment thereto, unless accompanied by a certificate of authority from the BSP. The law also grants the BSP the power to designate a new payment system if it determines that the existing payment system is posing or has the potential to pose a systemic risk or the designation is necessary to protect the public interest.

On 9 September 2019, the BSP issued BSP Circular No. 1049 which implements the provisions of Rep. Act No. 11127. It provides that banks which act as payment systems operators must register with the BSP through notification; it will not have to apply or pay registration fees. The BSP will then issue the registering bank a Provisional Certificate of Registration. Thereafter, the BSP will issue the bank a Certificate of Registration, if warranted, and provided the documents submitted by the bank meet all regulatory requirements. BSP Circular No. 1068, issued on 26 December 2019, extended the deadline for registration of existing payment systems operations from 1 October 2019, as originally stated in Circular No. 1049, to 1 April 2020.

On 7 July 2020, the BSP issued BSP Circular No. 1089 which provides the Payment System Oversight Framework that sets out the approach and rules of the BSP in the conduct of its oversight function pursuant to Rep. Act No. 11127.

On 5 April 2021, the BSP issued Memorandum M-2021-021 which provides the guidelines that BSFIs must comply to ensure the soundness and adequacy of their risk management and practices in dealing with Operators of Payment Systems ("**OPS**") and Non-bank Electronic Money Issuers (EMIs), including but not limited to (i) performing appropriate assessment of entities based on observable business activities and transactions indicating that such entities are OPS or non-bank EMIs; (ii) dealing only with OPS registered with the BSP and non-bank EMIs duly licensed by the BSP; (iii) performing appropriate customer due diligence when dealing with entities that are registered with the BSP as OPS or licensed as non-bank EMI; (iv) conducting appropriate risk assessment of OPS or non-bank EMI; and (v) performing continuing account and transaction monitoring.

On 14 September 2021, the BSP issued Circular No. 1126, which provides the mandatory adoption of the Principles for Financial Market Infrastructure ("**PFMI**") by the designated payment systems pursuant to Circular No. 1089 and Rep. Act No. 11127. The PFMI is a set of international standards designed to strengthen FMIs and make them more resilient to financial crises and participant defaults. On 17 September 2021, the BSP issued Circular No. 1127 providing the governance policy for OPS, which are required to be added or created in the Manual of Regulations for Payment Systems. On 29 November 2022, BSP issued Circular No. 1161 which introduced amendments to the Manual of Regulations for Payment Systems to incorporate the National Retail Payment System Framework. On 14 March 2024, the BSP issued Circular No. 1191 creating the first official Manual of Regulations for Payment Systems, which encapsulates the cumulative compilation of rules and regulations issued as of end-December 2023.

Data Privacy Act

Rep. Act No. 10173, otherwise known as the Data Privacy Act of 2012 ("**Data Privacy Act**"), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System ("**ICT**"), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes. It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of "personal information", which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors". It also provides for penal and monetary sanctions for violations of its provisions.

On 19 August 2020, the BSP issued Memorandum No. M-2020-066 reminding BSFIs to further intensify information security awareness and education campaigns against SMS-based attacks in response to the rise of phishing campaigns which lure and defraud BSFI employees and customers to disclose their user account credentials and sensitive information or to click malicious links. Thus, BSFIs are required to adopt multi-layer controls such as calibration of fraud management system rules and parameters and conducting threat hunting exercises to detect unusual activities and takedown phishing sites, among others.

On 2 November 2021, the BSP issued Memorandum No. M-2021-059 which advises BSFIs to cooperate and share relevant information to third parties, other financial institutions, payment gateway providers, third party service providers, and law enforcement agencies in the conduct of fraud investigations. The following information may be shared in the conduct of fraud investigations: (i) name, (ii) home or delivery address, (iii) email address, (iv) mobile or contact numbers, (v) bank or financial information, and (vi) bank or financial transaction details without a prior court order or proceeding. On 11 June 2024, BSP Memorandum No. M-2024-019 was issued, reminding BSFIs on the proper handling of personally identifiable information and other sensitive data of customers.

Miscellaneous BSP Circulars

On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information shall be required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.

On 26 June 2017, the BSP amended the Manual again through Circular No. 963. The issuance instituted governance processes in accordance with the BSP's expectation that banks establish an effective reporting system generation and timely submission of reports. The reports must comply with those standards prescribed by the BSP, and those banks that fail to do so (i.e. file an erroneous report, delayed report or no report) are subject to certain sanctions that can be aggravated by habitual violations. Banks had until 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision, with full implementation on 1 January 2018.

On 3 November 2017, the BSP issued Circular No. 981, amending the guidelines on liquidity risk management and the related amendments to the Manual. Among the highlights of the changes were additional guidelines relative to Foreign Currency Management, Intraday Liquidity Management, Intragroup Liquidity Management, Collateral Management, Liquidity Stress Testing, Contingency Funding Plans, Factors to Consider in Developing a Funding Strategy and Factors to Consider in Developing Cash Flow Projections. Banks had until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that they complete a gap analysis of the requirements of the said BSP Circular vis-à-vis their existing risk management systems by 31 March 2018.

On 6 November 2017, in line with BSP's adoption of the NRPS framework consistent with its regulations on risk management, the BSP issued Circular No. 980, which requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management and effective and efficient interoperability. The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. Under this framework, sound governance shall be performed by a payment system management body (**PSMB**), which is duly recognized and overseen by BSP. In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by BSP.

On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management (ISRM) of BSFIs in view of the rapidly evolving technology and cyber- threat landscape in which they operate. The amendments highlight the role of the BSFIs' board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e. identify, prevent, detect, respond, recover and test phases). The new guidelines also recognize that BSFIs are at varying levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: "Complex", "Moderate" and "Simple" to provide greater flexibility in complying with the requirements.

On 4 January 2018, BSP issued Circular No. 989, which defined minimum prudential requirements on stress testing and supplement the relevant provisions on stress testing provided under the risk management guidelines that were earlier issued by BSP. It provides that a board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite and in planning for business continuity management, and, in the case of D-SIBs, in developing recovery plans. These expectations are consistent with the earlier-issued guidelines on corporate governance under Circular No. 969.

On 1 February 2018, BSP issued Circular No. 992, which set out the framework for banks to offer a basic deposit account to promote account ownership among the unbanked. The minimum key features of the account include: simplified KYC requirements; an opening amount of less than ₱100.00; no minimum maintaining balance; and no dormancy charges. To prevent misuse of the basic deposit account, its maximum balance is set at ₱50,000.00. As an incentive for banks, the basic deposit account is granted a preferential 0.00% reserve requirement which lowers their account maintenance cost. Notably, on 23 November 2021, the BSP issued Memorandum No. M-2021-065, providing temporary regulatory relief for banks that offer basic deposit accounts. Under the Circular, non-presentation of identification cards (**IDs**) for basic deposit accounts are allowed for the year 2022, subject to the following conditions: (i) the customer shall submit duly signed certification that he/she has no valid ID; (ii) the customer's account activities shall be subject to ongoing monitoring by the bank to identify potential abuse of the relaxed requirement and any suspicious transactions must be reported to the AMLC; and (iii) should the depositor exceeded the ₱50,000.00 maximum balance, the bank must initiate measures to convert the account into a regular deposit account.

On 1 March 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that, as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least one percent of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than ₱500,000.00; further, as security for the faithful performance of its investment management activities, the basic security deposit shall be at least one percent of the book value of the total investment management assets and at no point in time less than ₱500,000.00. The Circular also prescribes the methodology in determining compliance with the basic security deposit for the faithful performance of trust and other fiduciary business and investment management activities, and amends the compliance period to require banks, that are authorized to engage in trust and other fiduciary business and investment management activities, to comply with the basic security deposit requirement on a quarterly basis, as well as, at the time of withdrawal, replacement or redemption of the government securities deposited with the BSP within the quarter period. On 9 August 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 provides that a bank may issue bonds and/or commercial paper without prior BSP approval, provided that the following conditions are met:

a. The bank must have a CAMELS composite rating of at least "3" and a "Management" rating of not lower than "3".

b. The bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;

c. The bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP; and

d. The bonds issued are enrolled and/or traded in a market which is organized in accordance with the SEC rules and regulations.

Further, the issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's listed/traded bonds or commercial paper. Likewise, the registry bank, including the underwriter/arranger of the issuance, shall be a third party with no subsidiary/affiliate relationship with the issuing bank and which is not related to the issuing bank in any manner that would undermine its independence.

On 31 August 2018, the SEC issued Memorandum Circular No. 12, establishing guidelines on the issuance of green bonds in the Philippines under the ASEAN Green Bonds Standards (**ASEAN GBS**). The proceeds of the issuance must be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects. Green Projects refer to the broad categories of eligible projects as listed in the ASEAN GBS, including renewable energy, pollution prevention and control, terrestrial and aquatic biodiversity conservation, among others. The list is non-exhaustive, but all Green Projects must provide clear environmental benefits which will be assessed and, where feasible, quantified by the issuer. The SEC circular further provides for various reporting and disclosure requirements, including annual reports to investors throughout the life of the green bonds.

On 10 October 2018, the BSP issued Circular No. 1017, which provides the policy framework on the grant of regulatory relief measures to banks/quasi-banks (QBs) affected by calamities. Under the framework, banks/QBs may access regulatory relief packages, including the provision of financial assistance to officers who are affected by the calamity even in the absence of BSP approved purposes, for a period of one (1) year from the date of declaration of state of calamity.

On 31 October 2018, the BSP issued Circular No. 1019, which amended provisions relating to the technology and cyber-risk reporting and notification requirements for BSFIs. The amendments were made to enable the BSP to have ready access to accurate, timely, and actionable information regarding BSFI's technology risk profiles as well as the evolving cyber-threat environment for a more responsive, proactive and effective banking supervision.

On 7 February 2019, the BSP issued BSP Circular No. 1031 which provided additional guidelines on the grant of specific type of licenses to the permissible activities of BSFIs, as enumerated therein.

On 26 February 2019, the SEC issued MC No. 05 s.2019, which established guidelines for the reference of Capital Market Professionals in the Philippines and other Signatory countries who intend to obtain an ACMF Pass in a Signatory country under the Memorandum of Understanding on the ACMF Pass.

On 4 April 2019, the BSP issued BSP Circular No. 1037, which provided an extension of transitory period of the amended reporting templates on bank loans and deposit interest rates. The Monetary Board, in its Resolution No. 547, approved the amendments to Section 173 on Reports of the MORB, as amended by Circular No. 1029 dated 25 January 2019.

On 11 April 2019, the BSP Monetary Board, in its Resolution No. 546, approved the amendments to the Manual of Regulations for Non-Bank Financial Institutions (**MORNBFI**) on the election of foreign nationals as directors of QBs and/or other BSP-supervised financial institutions and the employment of foreign nationals as officers or employees of financing companies. This resolution is now known as BSP Circular No. 1038.

On 25 April 2019, the SEC issued MC No. 08 s. 2019, which implemented set of rules that primarily governs the issuance of ASEAN Sustainability bonds where proceeds shall be exclusively applied to finance or refinance a combination of both Green and Social projects that respectively offer environmental and social benefits.

On 25 April 2019, the SEC issued MC No. 09 s. 2019, which implemented set of rules that primarily governs the issuance ASEAN Social bonds where proceeds shall be exclusively applied to finance or refinance in part or in full, new and/or existing Social projects.

On 20 May 2019, the BSP issued BSP Circular No. 1040, supported by Monetary Board Resolution No. 543. This approved the revised framework on the selection of external auditors for BSFIs in accordance with the cooperative arrangement among the Financial Sector Supervisors, namely the BSP, the SEC, Insurance Commission, and the Philippine Deposit Insurance Corporation, under the auspices of the Financial Sector Forum.

On 29 May 2019, the BSP issued Circular No. 1041 supported by Monetary Board Resolution Nos.727.A dated 16 May 2019 and 753.A dated 23 May 2019 in which the Monetary Board approved the reduction in the reserve requirement ratios of selected reservable liabilities of banks and non-bank financial institutions with quasi-banking functions.

On 6 September 2019, the BSP issued Circular No. 1048 which contained the Guidelines and Procedures Governing the Consumer Assistance and Management System. The Circular provides that BSFI should have Consumer Protection Risk Management System ("**CPRMS**") which should include the governance structure, policies, processes, measurement and control procedures to ensure that consumer protection risks are identified, measured, monitored, and mitigated. The Circular further empowered the BSP to deploy enforcement actions to ensure compliance with BSP Regulations on Financial Consumer Protection.

On 9 September 2019, the BSP issued BSP Circular No. 1049, which implements the provisions of Republic Act No. 11127. It provides that banks which act as payment systems operators must register with the BSP through notification; it will not have to apply or pay registration fees. The BSP will then issue the registering bank a Provisional Certificate of Registration. Thereafter, the BSP will issue the bank a Certificate of Registration, if warranted, and provided the documents submitted by the bank meet all regulatory requirements. BSP Circular No. 1068, issued on 26 December 2019, extended the deadline for registration of existing payment systems operations from 1 October 2019, as originally stated in Circular No. 1049, to 1 April 2020.

On 7 February 2020, the BSP issued Circular No. 1074, which amends regulations on financial audits, applicable to banks under the MORB and the Manual of Regulations for Foreign Exchange Transactions.

On 10 February 2020, the BSP issued Circular No. 1073, which approved the extension of the transitory period on single borrower's limit, as applicable to foreign bank branches. The circular provides that existing foreign bank branches can use twice the level of capital as basis for determining the single borrower's limit.

On 9 March 2020, the BSP issued Circular No. 1078, prescribing the Guidelines on Correspondent Banking Relationships. The circular states that covered persons must adopt the stated policies and procedures to prevent correspondent banking activities from being used for money laundering or terrorist financing activities; furthermore, covered persons must designate an officer responsible to ensure compliance with the Guidelines and the covered person's policies and procedures. On 4 February 2021, the BSP issued Circular No. 1109, which provides the amendments to the regulations on investment management activities ("**IMA**") under the MORB and MORNBFI. Under the circular, the minimum size of an account was reduced and the securities eligible as investment outlet for commingled funds under investment management was expanded. The circular provides that BSFIs may determine the minimum amount that should be maintained by a client in an IMA which shall be at least ₱100,000. It also provides the requirements for the commingling of funds, which refer to acts of combining funds from multiple IMAs for the sole purpose of investing in qualified assets.

On 28 May 2021, the BSP issued Memorandum No. M-2021-031, which provides the guidelines on cash agents. Cash agents are third party entities where customers can perform secure real-time deposit and withdrawal transactions for their own accounts, fund transfers, bills payment, and payments online. The circular provides for mechanisms that banks with cash agent operation are required to observe to allow their customers to verify accredited agents and lodge complaints for agent-related transactions.

On 29 March 2022, the BSP issued Circular No. 1142 which amended the guidelines in computing the minimum required capital and the risk-based capital adequacy ratio. In determining capital, deposits for stock subscription are included in, and treasury stock as well as the total outstanding unsecured credit accommodations to DOSRI granted by the bank proper are deducted from the capital. Pursuant to this Circular, the total outstanding unsecured credit accommodations to DOSRI, net of allowance for credit losses, are considered in calculating the risk-based capital adequacy ratio. With respect to risk-weighted assets, the risk-weighted amount shall be the product of the net carrying amount of the asset and the risk weight associated with such asset. Moreover, for purposes of the issuance of a Qualification Certificate as Administrator to an entity, compliance with minimum net worth of 100 Million Pesos shall take into account the total outstanding unsecured credit accommodations extended by the Administrator to DOSRI.

The Philippine Competition Act

Rep. Act No. 10667, or the Philippine Competition Act ("**PCA**") was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the "**PCC**"), an independent quasi-judicial agency with five commissioners.

Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, however, the PCC must still apply for a warrant with the relevant court.

The PCA prohibits and imposes sanctions on: (a) anti-competitive agreements between or among competitors, (b) mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition, and (c) practices which are regarded as abuse of dominant position, because such conduct would substantially prevent, restrict or lessen competition, such as selling goods or services below cost to drive out competition, imposing barriers to entry or to prevent competitors from growing and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to certain exceptions.

On 3 June 2016, the PCC issued the implementing rules and regulations of the PCA (the "**PCA IRR**"). Under Section 3, Rule 4 of the PCA IRR, as amended by PCC Advisory 2019-001 (effective 1 March 2019), parties to a merger or acquisition are required to provide the PCC notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or the value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or the acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly (the "**Size of Party**") exceed ₱5.6 billion; and (b) the value of the transaction (the "**Size of Transaction**") exceeds ₱2.2 billion, as determined under the PCA IRR; while parties to a joint venture transaction are subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. As provided in MC No. 18-001 dated 10 March 2018, the thresholds are automatically adjusted commencing on 1 March 2019 and on 1 March of every succeeding year, using as an index the Philippine Statistics Authority's official estimate of the nominal gross domestic product growth of the previous calendar year rounded up to the nearest hundred million. The revised thresholds, however, shall not apply to mergers or acquisitions pending review by the PCC, transactions requiring notification consummated before the effectiveness of the memorandum circular and transactions already the subject of a decision by the PCC.

PCC Advisory 2019-001 further adjusted the thresholds such that effective 1 March 2019, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5.6 billion; and (b) the value of the transaction exceeds ₱2.2 billion, as determined in the PCA IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion.

Notably, Section 4(eee) of the Bayanihan to Recover as One Act (the Bayanihan 2) provides that all mergers and acquisitions with transaction values below ₱50 billion shall be exempt from compulsory notification under the PCA if entered into within a period of 2 years from the effectivity of Bayanihan 2 on 15 September 2020 or until 15 September 2022. Effective 16 September 2022, and with the expiration of the 2-year moratorium under the Bayanihan 2, the PCC provisionally set the thresholds in relation to the Size of Party and Size of Transaction tests by increasing these to ₱6.1 billion and ₱2.5 billion, respectively. Recently under PCC Resolution No, 01-2024, the PCC increased the thresholds in relation to the Size of Party and Size of Transaction tests by increasing these further to ₱7.8 billion and ₱3.2 billion, respectively.

The threshold amounts were last modified by the PCC in Commission Resolution No. 01-2024, effective 1 March 2024. Currently, parties to a merger or notification are required to provide notification when (a) the aggregate annual gross revenues in, or into, or from the Philippines, or the value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceeds ₱7.8 billion; and (b) the value of the transaction, as determined under subsections (1), (2), (3), and (4) of Rule 4, Section 3 of the PCA IRR, exceeds ₱3.2 billion.

Violations of the PCA and the PCA IRR have severe consequences. Under the PCA and the PCA IRR, a transaction that meets the thresholds but is not in compliance with the notification requirements and waiting periods are considered void and will subject the parties to the transaction to an administrative fine of one %. to five %. of the value of the transaction. Criminal penalties for entities that enter into anti-competitive agreements, as defined, include: (a) a fine of not less than ₱50 million but not more than ₱250 million and (b) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses.

Administrative fines of ₱100 million to ₱250 million may be imposed on entities found to have violated prohibitions on anti- competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure (the **Rules of Procedure**) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules of Procedure also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedures (the **Merger Rules**) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the PCA IRR. The Merger Rules provide that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the PCA IRR are required to notify the PCC within 30 days from the signing of definitive agreements relating to such merger.

On 10 September 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the PCA. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the PCA. Inspection orders will allow the PCC and its deputized agents to enter, search and inspect business premises, offices, land and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

On 19 January 2021, the PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the 2017 Rules of Procedure and the Rules of Merger Procedure. The administrative fines may amount up to ₱275 million. Commitment of acts such as failure to comply with a ruling, order, or decision of the PCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000.00 up to ₱2.2 million.

On 18 May 2023, the PCC issued the Non-Horizontal Merger Guidelines that aim to strengthen the transparency of the analytical process undertaken by the PCC when reviewing mergers and acquisitions. The Guidelines on substantive non-horizontal merger analysis were issued pursuant to Section 16 of the Competition Act and are supplementary to the 2018 PCC Merger Review Guidelines.

On 21 August 2023, the PCC issued the Guidelines for the Motu Proprio Review of Mergers and Acquisitions in Digital Markets. The Guidelines were issued to provide greater transparency and predictability over the PCC's power of motu proprio review of mergers and acquisitions, by providing a non-exhaustive list of transactions that PCC believes may indicate competition issues in the digital market, thus potentially triggering motu proprio review by the PCC.

Corporate Recovery and Tax Incentives for Enterprises

Rep. Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises (the **CREATE**), was signed into law on 26 March 2021 and took effect on 11 April 2021. The CREATE provides various tax incentives that are relevant and responsive to the needs of businesses negatively affected by the COVID-19 pandemic and improved the ability of the Philippines to attract foreign investments.

Among the tax incentives provided under the CREATE Act are the following:

1. Income tax holiday for export enterprises and domestic market enterprises for a period of four to seven years, followed by the (a) Special Corporate Income Tax Rate of 5 %. on gross income earned, in lieu of all national and local taxes, or (b) enhanced deductions for 5 or 10 years; and

2. Tax-free exchanges for reorganizations, without the need to obtain a confirmatory ruling from the Bureau of Internal Revenue.

Further, the CREATE Act lowered the corporate income tax from 30% to 25%, and further reduces the rate to 20% if the corporation's net income does not exceed ₱5 million and its total assets do not exceed ₱100 million, excluding the land where the business is located.

On 8 November 2024, RA No. 12066 or the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (**CREATE MORE**) was passed, amending the CREATE Act. The CREATE MORE establishes a simplified value-added tax (**VAT**) refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies from ₱1 billion to ₱15 billion. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

Amended Retail Trade Liberalization Act

Rep. Act No. 11595, which amends the Retail Trade Liberalization Act (the **RTLA**) was signed into law on 10 December 2021 and took effect on 21 January 2022. The amended RTLA reduced the minimum paid-up capital requirements for foreign retail enterprises from ₱125 million to ₱25 million, removed the requirement for certificate of pre-qualification to the Philippine Board of Investment, and lowered the investment requirement for each store owned by a foreign enterprise from U.S.$830,000 (around ₱43 million) to ₱10 million, among others.

Amended Foreign Investment Act of 1991

Rep. Act No. 11647, which amends the Foreign Investment Act of 1991 (the FIA), was signed into law on 2 March 2022 and was published in the Official Gazette on 14 March 2022. The amended FIA provided less stringent requirements for non-Philippine nationals to do business in the country.

The amended FIA modified the requirements for the application of reduced capital requirement of U.S.$100,000 from U.S.$200,000 for domestic market enterprises:

1. Prior to the amendment, domestic market enterprises must have at least 50 direct employees. The amended FIA only requires that majority of the direct employees are Filipinos and that the domestic market enterprise must have at least 15 Filipino employees.

2. The reduced capital is also applicable if the domestic market enterprise is a startup or startup enablers as defined under Republic Act No. 11337 or the Innovative Startup Act.

Further, the amended FIA created the Inter-Agency Investment Promotion Coordination, a body that will integrate all promotion and facilitation efforts to encourage foreign investments in the country.

Amended Public Service Act

Rep. Act No. 11659, which amends the Public Service Act (the **PSA**), was signed into law on 21 March 2022. The amended PSA clarified what may be considered a "public utility" by providing an exclusive list of what public utilities are. Prior to the amendment, there was no statutory definition of a "public utility". Hence, the Supreme Court filled the gap by construing the term "public service" under the prior PSA as equivalent to public utility under the Constitution.

The amendments now classify the following services as a public utility, subject to the 40% foreign ownership cap under the Constitution: (i) Distribution of electricity, (ii) Transmission of electricity, (iii) Petroleum and petroleum products pipeline transmission systems, (iv) Water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems, (v) seaports, and (vi) public utility vehicles.

The amended PSA likewise defines critical infrastructure as any public service which owns, uses, or operates systems and assets, whether physical or virtual, so vital to the Republic of the Philippines that the incapacity or destruction of such systems or assets would have a detrimental impact on national security, including telecommunications and other services as may be declared by the President.

It further provides that nationality requirements may not be imposed by the relevant administrative agencies on any public service that is not classified as public utility. With the amendments brought by Rep. Act No. 11659, foreign nationals may now fully own industries that were previously considered as public utilities such as telecommunication, shipping, airline, railway, toll road and transport network vehicle companies, subject to the Reciprocity Clause under the PSA. However, the amended PSA provides that in the interest of national security, the President, after review, evaluation, and recommendation of the relevant government department or administrative agency, may suspend or prohibit any proposed merger or acquisition transaction or any investment in a public service that results in the grant of control to a foreigner or foreign corporation. Moreover, entities controlled by or acting on behalf of a foreign government or foreign state-owned enterprises are prohibited from owning capital in any public service classified as either public utility or critical infrastructure.

Further, the amended PSA provides that upon recommendation of the National Economic Development Authority, the President may recommend to Congress the classification of a public service as a public utility based on the following criteria:

1. The person or juridical entity regularly supplies and transmits and distributes to the public through a network a commodity or service of public consequence;

2. The commodity or service is a natural monopoly that needs to be regulated when the common good so requires. For this purpose, natural monopoly exists when the market demand for a commodity or service can be supplied by a single entity at a lower cost than by two or more entities;

3. The commodity or service is necessary for the maintenance of life and occupation of the public; and

4. The commodity or service is obligated to provide adequate service to the public on demand.

Personal Property Security Act of 2018

On 17 August 2018, Republic Act No. 11057, also known as the Personal Property Security Act ("**PPSA**"), was enacted aims to establish a modern legal framework for securing obligations with personal property. On 18 November 2019, its Implementing Rules and Regulations were promulgated. The PPSA provides for the creation, perfection, priority, and enforcement of security interests in personal property and covers all transactions that secure an obligation with movable collateral, except for interests in aircrafts and interests in ships. The law repealed, amended or modified certain provisions of the Chattel Mortgage Law (Act No. 1508), provisions in the Civil Code of the Philippines regarding pledge and mortgage, and provisions regarding registration of chattel mortgages under the Property Registration Decree (Presidential Decree No. 1529), among other laws.

Moreover, the PPSA provides for a centralized and nationwide electronic registry where notice of a security interest and a lien in personal property may be registered. Accordingly, pursuant to its mandate under the PPSA, the Land Registration Authority ("**LRA**") issued Circular No. 02-2025 providing for the commencement of the operations of the Personal Property Security Registry ("**PPSR**"), a central platform for registration and searching of notices relating to security interests in personal property. The PPSR was operationalized on 3 February 2025 and allows the registration and search of an Initial Notice, an Amended Notice, a Termination Notice, and Notices of Auction Sale, among others. A notice is effective from the time it is discoverable on the records of the PPSR and is automatically terminated by the system based on the indicated "term end date." Nonetheless, the period of effectiveness of a notice may be extended by registering an amendment notice. Circular No. 02-2025 also sets forth a schedule of flat fees for services related to the PPSR: ₱380 for registration of a new notice, ₱30 for registration of an amendment notice, and ₱30 for certifications. There are no fees for registration of a termination notice.

Electronic Securities Issue Portal

In 2021, the PDS Group launched its e-Securities Issue Portal ("**e-SIP**"), a web-based platform designed to streamline processes in the primary issuance of fixed income instruments. It is accessible to key stakeholders such as issuers, underwriters or arrangers, selling agents, and client investor-applicants. e-SIP enables online submission and processing of documents related to the listing, enrollment, and registration of bondholders, as may be updated from time to time. It also allows investors to electronically reserve bond issuances and allows issuers to expand their reach by selling their securities online.

The portal supports both primary and secondary market activities. For the primary market, it facilitates: (a) the listing and enrollment of fixed income securities in the PDEx Fixed Income Market, (b) the reservation process for applicant-investors with selling agents for securities to be issued or listed, and (c) the transmission of the applicant-investors' documents and selling agents' sales reports to the PDTC registry. For the secondary market, it streamlines the creation and electronic submission, prior to settlement, of investor registration and transfer instructions of clients who buy and sell bonds in the secondary market.

Maharlika Investment Fund Act of 2023

On 18 July 2023, Republic Act No. 11954 was enacted which provides that for the first and second fiscal years upon effectivity of the law, 100 % of the BSP's total declared dividends will be remitted to the National Government for the capitalization of the Maharlika Investment Corporation ("**MIC**"), in the amount not exceeding ₱50 billion for the initial subscription of the National Government to the capitalization of the MIC. Thereafter, the dividends of the BSP shall be remitted to the National Government to fund the increase in the capitalization of the BSP.

The Anti-Financial Account Scamming Act of 2024

Republic Act No. 12010, also known as the Anti-Financial Account Scamming Act ("**AFASA**"), was signed into law on 20 July 2024 to combat financial cybercrimes, safeguard the interests of financial consumers, and uphold the integrity of the financial system.

The AFASA authorizes the BSP to investigate violations of the law, apply for cybercrime warrants, and collaborate with law enforcement agencies in the investigation of cases covered by the law. It grants the BSP limited authority to examine and investigate bank accounts, e-wallets, and other financial accounts that are involved in the prohibited acts under the law, which includes engaging in money muling activities and social engineering schemes.

Under the AFASA, the prohibition on money muling activities includes the following acts for the purpose of obtaining, receiving, depositing, transferring, or withdrawing proceeds that are known to be derived from crimes, offenses, or social engineering schemes:

1. Using, borrowing or allowing the use of a Financial Account (as defined under Section 3 of the law);
2. Opening a financial account under a fictitious name or using the identity or identification documents of another;
3. Buying or renting a Financial Account;
4. Selling or lending a Financial Account; or
5. Recruiting, enlisting, contracting, hiring, utilizing or inducing any person to perform the acts mentioned in items 1 to 4 of this subsection.

Meanwhile, social engineering schemes are committed by a person who obtains sensitive identifying information of another person, through deception or fraud, resulting in unauthorized access and control over the person's Financial Account, by performing any of the following acts:

1. Misrepresenting oneself as acting on behalf of an Institution, or making false representations to solicit another person's sensitive identifying information; or
2. Using electronic communications to obtain another person's sensitive identifying information.

The aforementioned acts shall be considered as economic sabotage when committed under any of the following circumstances:

1. By a group of three (3) or more persons conspiring or confederating with one another;
2. Against three (3) or more persons individually or as a group;
3. Using a mass mailer; or
4. Through human trafficking.

Under the AFASA, financial institutions have the obligation to employ adequate risk and fraud management systems to ensure that their clients' financial accounts are protected and temporarily hold funds subject of a disputed transaction within a period prescribed by the BSP, which shall not exceed thirty (30) days, unless otherwise extended by a court of competent jurisdiction.

TAXATION

The following discussion is a general description of certain Philippine tax aspects relating to the Bonds. It is based on the laws, regulations, and rulings in force as at the date of this Offering Circular, and is subject to any changes in law or interpretations thereof occurring after such date, which changes could be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective Bondholders are advised to consult their own tax advisers concerning the overall tax consequences of their investment in the Bonds.

The tax treatment of a holder of the Bonds may vary depending upon such holders' particular situation, and certain holders may be subject to special rules not discussed below. Foreign tax consequences of the ownership and disposition of the Bonds are not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Bonds.

INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADIVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF OWNERSHIP AND DISPOSITION OF THE PARTICULAR BONDS THEY WILL BE HOLDING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines. The term "foreign" when applied to a corporation means a corporation which is not domestic while the term "domestic" when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

TAXATION OF INTEREST

The Philippine National Internal Revenue Code, as amended by Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion ("**TRAIN**") (the "Tax Code, as amended") provides that interest income on interest-bearing obligations of Philippine residents, such as the Bonds, are Philippine-sourced income subject to Philippine income tax.

The Tax Code, as amended defines "deposit substitutes" as an alternative form of obtaining funds from the public, other than deposits, through the issuance endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations or financing their own needs or the needs of their agent or dealer. Obtaining funds from the "public" in this instance means borrowing from twenty (20) or more individual or corporate lenders at any one time.

Interest Income on Short-Term Bonds

The Bonds may be considered as deposit substitutes issued by Philippine residents with a maturity period of less than five (5) years. As such, interest income arising from the Bonds are considered as Philippine sourced income subject to final withholding tax at the following rates:

Philippine citizens and resident alien individuals –	20%
Non-Resident aliens doing business in the Philippines –	20%
Non-resident aliens not doing business in the Philippines –	25%
Domestic corporations –	20%
Resident foreign corporations –	20%
Non-resident foreign corporation –	25%

Interest Income on Long-Term Bonds

A. Individuals

Interest income on bonds with maturities of five (5) or more years ("**long-term bonds**"), may qualify as long-term deposit or investment, in which case, pursuant to RR No. 14-2012, RMC No. 77-2012, and RMC No. 81-2012, as may be amended, interest income derived by qualified individuals may be exempt from the 20% final withholding tax provided that the following characteristics or conditions are present:

a) The investor is an individual citizen (resident or non-resident) or resident alien or non-resident alien engaged in trade or business in the Philippines ("**Individual**");
b) The long-term bonds should be under the name of the Individual;
c) The long-term bonds must be in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments evidenced by certificates in such form prescribed by the BSP;
d) The long-term bonds must be issued by banks only and not by other entities or individuals;
e) The long-term bonds must have a maturity period of not less than five (5) years;
f) The long-term bonds must be in denominations of Ten Thousand Pesos (P10,000) and other denominations as may be prescribed by the BSP;
g) The long-term bonds should not be terminated by the original investor before the fifth (5^{th}) year, otherwise they shall be subjected to the graduated rates of 5%, 12%, or 20% on interest income earnings; and
h) Except those specifically exempted by law or regulations, any other income such as gains from trading, foreign exchange gain shall not be covered by income tax exemption.

For interest income derived by individuals investing in common or individual trust funds or investment management accounts, the following additional characteristics/conditions must all be present:

a) The investment must be actually held/managed by the bank for the named individual at least five (5) years without interruption;
b) The underlying investments of the common or individual trust account or investment management accounts must comply with the requirements of Section 22 (FF) of the NIRC of 1997, as amended, as well as the requirements mentioned above; and
c) The common or individual trust account or investment management account must hold on to such underlying investment in continuous and uninterrupted period for at least five (5) years.

The exemption of interest income from long-term bonds by the Individuals is dependent on full compliance with the above conditions and characteristics; otherwise, a final tax of 20% shall be imposed or, if the long-term bond is pre-terminated before maturity, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term bonds based on the remaining maturity of the bonds:

Four (4) years to less than five (5) years	5%
Three (3) years to less than four (4) years	12%
Less than three (3) years	20%

Interest income received by non-resident aliens not engaged in trade or business in the Philippines shall generally be subject to a final withholding tax of 25%. However, the foregoing rate may be reduced under an applicable tax treaty.

B. Corporations

Interest income derived by domestic and resident foreign corporations from deposit substitutes, offered to the public, is subject to final withholding tax at the rate of twenty percent (20%) pursuant to Sections 27(D) (1) and 28 (A) (6) (a) of the Tax Code, as amended, payable upon payment of the interest in case of interest-bearing instruments and securities. While interest income received by domestic and resident foreign corporation from the long-term bonds, which are not offered to the public, shall be subject to regular income tax at the rate of twenty-five percent (25%) pursuant to Sections 27 (A) and 28 (A) (1) of the Tax Code, as amended.

For non-resident foreign corporations, interest income received from long-term bonds, shall be subject to a final withholding tax at the rate of twenty-five percent (25%) pursuant to Section 28 (B)(1) of the Tax Code, as amended. The term "public", is defined as borrowing from twenty (20) or more individual or corporate lenders at any one time.

The aforementioned final withholding tax rates may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Bondholder. Many tax treaties to which the Philippines is a party provide for a preferential reduced rate of 15% where Philippine sourced interest income is paid to a resident of the other contracting state. However, tax treaties generally provide that the preferential rate will not apply if the recipient carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected to such permanent establishment.

CHANGE IN TAX RATES OR NEW TAX RATES

In the event there is a change in the tax treatment of the long-term bonds or on the tax rates applicable to a Bondholder of long-term bonds because of new, or changes or repeal in, tax laws, or interpretations thereof, as a result of which, a Bondholder previously exempt from tax shall be made subject to tax on income earned from the long-term bonds or there is an increase in the applicable withholding tax rate, or any payments of principal and/or interest under the long-term bonds shall be subject to deductions or withholdings for or on account of any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld, or assessed within the Philippines by any authority therein or thereof having power to tax, including but not limited to stamp, issue, registration, documentary, value-added or similar tax, or other taxes, duties, assessments, or government charges, including interest, surcharges, and penalties thereon (the "**New Taxes**"), then such New Taxes imposed shall be for the sole account of the Bondholders. Consequently, the Paying Agent, on behalf of the Issuer, as applicable, shall make the necessary withholding or deduction for the account of the Bondholders concerned. All sums payable by the Bank to tax-exempt persons (upon qualification as such and presentation of acceptable proof of tax exemption) shall be paid without deductions for taxes, duties, assessments, or government charges.

Package Four of the Comprehensive Tax Reform Program

The fourth package under the Comprehensive Tax Reform Program ("**CTRP**") of the Government is House Bill ("**HB**") No. 4339, also known as the Passive Income and Financial Intermediary Taxation Act ("**PIFITA Bill**"). It seeks to amend the taxation of passive income, financial intermediaries, and financial transactions, including: (i) passive income taxes (*e.g.*, taxes on interest, dividends, capital gains from the sale of shares of stocks not traded through the local stock exchange); (ii) stock transaction tax and initial public offering tax; (iii) business taxes on financial intermediaries (*e.g.*, gross receipts tax, premium tax and value-added tax on certain financial institutions); and (iv) documentary stamp tax on certain financial products and transactions.

In particular, HB No. 4339 aims to impose: (i) a single final withholding tax rate of 15% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single rate of 15% on interest income, dividends and capital gains, (iii) a single gross receipts tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), except dividends, equity shares and net income of subsidiaries, (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, (v) removal of IPO tax, (vi) gradual reduction of the stock transaction tax until it reaches zero by 2026 and removal of the transaction tax on listed and traded debt instruments by 2026, and (vii) exemption of non-monetary documents from DST.

With respect to interest, HB No. 4339 seeks to lower the final tax on interest from the current rate of 20% to 15%. Notably, the current tax exemption applicable to interest derived from long-term deposits and investments is removed under HB No. 4339, and such interest will be subject to final income taxes at a rate of 15%. HB No. 4339 also provides that the proceeds from the sale of listed debt instruments will be taxed at a rate of 0.1%, while gains from the sale of unlisted debt instruments will be taxed at 15%.

Further, HB No. 4339 seeks to introduce a single gross receipts tax rate of 5% to be imposed on banks and non-bank financial intermediaries performing quasi-banking functions. It will remove the distinction between lending and non-lending income, as well as the maturity of the instrument. All types of income will be taxed at 5%, with the exception of dividends, equity shares, and net income of subsidiaries, which will remain exempt.

HB No. 4339 was approved on the third and final reading by the House of Representatives on 14 November 2022. On 12 February 2024, the Department of Finance presented a refined proposal for the fourth package of CTRP before the Senate Committee on Ways and Means, which includes among others, a proposal to harmonize the interest income tax at 20% regardless of the maturity or term, issuer, and currency. The bill remains pending with the Senate as of the date of this Offering Circular.

Capital Markets Efficiency Promotion Act

On 5 February 2025, the House of Representatives and the Senate approved and adopted a reconciled bill which consolidates Senate Bill No. 2865 and House Bill No. 9277 or the Capital Markets Efficiency Promotion Act ("**CMEPA**"). If enacted or lapses into law, the CMEPA is set to take effect following its complete publication in the Official Gazette or in at least one newspaper of general circulation. The CMEPA bill proposes, among others: (i) removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) removal of the preferential tax and exemptions for long-term deposits or investments in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments with a maturity period of not less than five (5) years, (iii) removal of the tax-exempt status of interest income received by non-residents, whether individuals or corporations, from transactions with depository banks under the expanded foreign currency deposit system, (iv) removal of the exclusion from gross income of gains from the sale of bonds, debentures, or other certificates of indebtedness with a maturity of more than five (5) years, (v) introduction of a new exclusion for gains arising from the sale of bonds issued by the Republic of the Philippines or its instrumentalities to finance programs under the Philippine Development Plan or other high-level priority programs of the government, (vi) exclusion from gross income of gains from redemption of a unit of participation in a mutual fund or unit investment trust fund, (vii) reduction of the stock transaction tax, which applies to sale of shares through a local or foreign stock exchange, from 0.6% to 0.1% of the gross selling price or gross value in money of the shares sold, (viii) the reduction of the documentary stamp tax on original issuance of shares from ₱2.00 for every ₱200.00 or 1% based on par value of shares issued, to 0.75%, and (ix) standardization of the final withholding tax rate on certain passive income to 20%, except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of 25%.

TAX EXEMPT STATUS

Revenue Memorandum Order No. 14-2021 (RMO), issued on 31 March 2021, streamlines the procedure and documents for the availment of treaty benefits. The RMO covers all items of income derived by non-resident taxpayers from Philippine sources that are entitled to relief from double taxation under the relevant tax treaty.

The withholding agent or income payor may rely on the submitted BIR Form No. 0901 (Application Form for Treaty Purposes), Tax Residency Certificate (TRC) duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by a non-resident taxpayer from all sources within the Philippines. Therefore, it is imperative for non-resident taxpayers intending to avail of treaty benefits to always submit said documents to each withholding agent or income payor prior to the payment of income for the first time.

Failure to provide the said documents when requested may lead to withholding of a tax applying the regular rates prescribed under the Tax Code for non-resident foreign corporations or non-resident aliens not engaged in trade or business, as the case may be, and not the treaty rate.

When the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with International Tax Affairs Division (ITAD) a request for confirmation on the propriety of the Withholding Tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a Tax Treaty Relief Application (TTRA) with ITAD. In either case, each request for confirmation and TTRA shall be supported by the documentary requirements specified in the Order.

The request for confirmation shall be filed by the withholding agent at any time after the close of the taxable year but shall in no case be later than the last day of the fourth (4th) month following the close of such taxable year when the income is paid or becomes payable, or when the expense/asset is accrued or recorded in the books, whichever comes first.

If the BIR determines that the Withholding Tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties.

On the contrary, if the Withholding Tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non- resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess Withholding Tax.

Generally, one TTRA or request for confirmation shall be filed for each transaction except for long-term contracts (e.g., contracts for services or loan agreements, license agreements, etc.) i.e., those which are effective for more than a year, where an annual updating shall be made until the termination of the contract.

To ensure that the proper rate is applied until the end of the contract, the non-resident taxpayer must submit the COE issued by the BIR and the updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier to the Selling Agents.

If the income of the non-resident taxpayer has been subjected to regular rates, he/she/it may subsequently file a claim for refund of the difference between the amount of Withholding Tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining a certificate confirming his/her/its entitlement to treaty benefits. For this purpose, a duly accomplished BIR Form No. 1913 shall be filed together with the letter-request.

All claims for refund shall be filed within the two-year prescriptive period provided under Section 229 of the Tax Code, as amended.

In any case, all Bondholders are required to submit to the Bank, through the Paying Agent, their respective BIR-issued Taxpayer Identification Numbers (TIN).

Bondholders who are exempt from, are not subject to final withholding tax, or are subject to a lower rate of final withholding tax on interest income may avail of such exemption or preferential withholding tax rate by submitting the necessary documents. Said Bondholder shall submit the following requirements, in form and substance prescribed by the Issuer, to the Registrar or Selling Agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (a) For (1) tax-exempt corporations under Section 30 of the Tax Code (except non- stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof; (b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator; (c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; (d) With respect to tax treaty relief, pursuant to RMO 14-2021, prior to the payment of interest due: (1) three (3) originals of the appropriate form (currently, BIR Form 0901-I (Interest Income)) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries, (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, (4) three (3) originals of the duly notarized, consularized, or apostilled (as the case may be) Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (5) an original or certified true copy of the Certificate of Entitlement ("**COE**") issued by the BIR International Tax Affairs Division ("**ITAD**") certifying the Bondholder's entitlement to tax treaty relief in connection with the Bonds. It shall be the Bondholder's sole responsibility and obligation to file the tax treaty relief application ("**TTRA**") with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the Tax Residency Certificate ("**TRC**"), together with the Application to Purchase, to the Selling Agents. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline ; and (e) Any other document that the Issuer or PDTC may require from time to time; (ii) a duly notarized declaration and undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Bonds for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Bondholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities, or any tax or charge arising from the non-withholding of the required tax; and (iii) if applicable, such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Registrar, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar: (i) a written notification of the sale or purchase, including the tax status of the transferor or transferee, as appropriate; and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Issuer for any tax that may later on be assessed on the Issuer on account of such transfer.

DOCUMENTARY STAMP TAXES ("DST")

Pursuant to Section 179 of the Tax Code, as amended, the original issuance of Bonds shall also be subject to DST of one peso and fifty centavos (₱1.50) on each two hundred pesos (₱200), or fractional part thereof, of the issue price of debt instruments such as bonds and notes; provided that, for debt instruments with terms of less than one year, the documentary stamp tax collected shall be proportionate to the ratio of the number of days of the term of the instrument to 365 days. The Bank is liable for the payment of the DST on the original issuance of the Bonds. Currently, no DST is imposed on the secondary transfer, sale or disposition of the Bonds considering that such transfer, sale or disposition will not change the maturity date or remaining period of coverage from the original Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF BONDS

If the Bonds are considered ordinary assets of individual Bondholders, gains from the sale or disposition of such Bonds are included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines effective 1 January 2018 until 31 December 2022:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

and effective 2 January 2023 and onwards:

Not over ₱250,000	0%

Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain shall be subject to the 25% final withholding tax.

If the Bonds are considered as capital assets of individual Bondholders, gains from the sale or disposition of the Bonds shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than twelve months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of 12 months or less, 100% of the gain will be included in the computation of the taxable income.

Gains derived by qualified domestic corporations on the sale or other disposition of the Bonds are included in the computation of taxable income which is subject to a 20% or 25% regular corporate income tax or 1% or 2% MCIT, as the case may be. Gains derived by resident foreign corporations on the sale or other disposition of the Bonds are included in the computation of taxable income which is subject to 25% regular corporate income tax or 1% or 2% MCIT, as the case may be. Gains derived by non-resident foreign corporations on the sale or other disposition of the Bonds shall form part of their gross income which is subject to a 25% final withholding tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the rules and regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Gains realized by individual or corporate Bondholders on the sale or exchange or retirement of Bonds with a maturity of more than five (5) years are excluded from gross income; hence, exempt from Philippine income tax. See also discussion of CMEPA above.

VALUE-ADDED TAX

Gross receipts derived by dealers in securities from the sale of the Bonds in the Philippines shall be subject to value-added tax ("**VAT**") of 12%. For purposes of this section, dealers in securities are merchants of stocks or securities, whether individual, partnership, or corporations, with an established place of business, regularly engaged in the purchase of securities and their resale to customers.

GROSS RECEIPTS TAX

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax ("**GRT**") on gross receipts derived from sources within the Philippines at the following rates:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less —	5.0%
Maturity period is more than 5 years —	1.0%

In case the maturity period is shortened by virtue of pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct tax rate shall be applied accordingly.

Other non-bank financial intermediaries are subject to GRT at the following rates:

(a) On interest, commissions, discounts and all other items treated as gross income under the Tax Code, as amended – 5.0%

(b) On interests, commissions and discounts from lending activities, as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less —	5.0%
Maturity period is more than 5 years —	1.0%

Provided, however, that in case the maturity period is shortened thru pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.

Since maturity period of the Bonds is less than five (5) years, gross receipts derived from interest on the Bonds held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions are subject to 5% gross receipts tax.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and non-bank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

ESTATE AND DONOR'S TAX

Beginning 1 January 2018, the transfer of Bonds upon the death of an individual Bondholder to his or her heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine estate tax at the rate of 6% based on the value of the decedent's net estate.

Moreover, beginning 1 January 2018, individual and corporate Bondholders, whether or not citizens or residents of the Philippines, who transfer the Bonds by way of gift or donation are liable to pay Philippine donors' tax on such transfer at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000 made during the calendar year.

The estate tax as well as the donor's tax in respect of the Bonds shall not be collected (a) if the deceased at the time of his death or the donor at the time of his donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may, unless made in the ordinary course of business (i.e., a transaction which is *bona fide*, at arms' length, and free from any donative intent), be deemed a gift and may be subject to donor's taxes.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (FATCA) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-U.S. financial institution (a "**foreign financial institution**", or **FFI** (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Issuer is classified as an FFI.

This new withholding regime was to be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" no earlier than 1 January 2017. A foreign passthru payment is defined as "any withholdable payment or other payment to the extent attributable to a withholdable payment". According to such definition, a portion of any payment made by an FFI will be treated as a passthru payment, and therefore subject to 30% withholding, in proportion to the ratio of the FFI's US assets to its total assets (the passthru percentage).

FATCA requires a participating FFI/Reporting FFI to withhold 30% of any passthru payment to a recalcitrant account holder or to a non-participating FFI. A participating FFI may, subject to what is required, elect not to withhold on passthru payments, and instead be subject to withholding on payments it receives, to the extent those payments are allocable to recalcitrant account holders or nonparticipating FFIs. Section 1471(b)(1)(D)(ii) requires a participating FFI that does not make such an election to withhold on passthru payments it makes to any participating FFI that makes such an election.

This withholding is intended to apply to payments in respect of (i) any securities characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "grandfathering date", which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any securities characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If securities (such as the Bonds) are issued before the grandfathering date, and such additional securities of the same series are issued on or after that date, the additional securities may not be treated as grandfathered, which may have negative consequences for the existing securities, including a negative impact on market price.

On 30 November 2014, the Philippines became one of the jurisdictions treated as if it had a Model 1 Intergovernmental Agreement ("**IGA**") in effect (deemed agreed in substance) notwithstanding the fact that the IGA has not yet been signed by the U.S and Philippine governments. However, on 13 July 2015, the said Intergovernmental Agreement ("**Model 1 IGA**") between the United States of America and the Republic of the Philippines was signed. The Bureau of Internal Revenue deferred reporting of Philippine Participating/Reporting Model 1 FFIs for the year 2015 to the second quarter of 2016 and is supposed set to issue the corresponding Implementing Rules and Regulations for the Model 1 IGA after the Philippine Senate has ratified the same.

Pursuant to the signed IGA, an FFI would not be subject to withholding under FATCA on any payments it receives. Further, an FFI would generally not be required to withhold (any such withholding being "**FATCA Withholding**") from payments it makes. A Reporting FI would still be required to report certain information in respect of its account holders and investors to its local tax authority.

Pursuant to the signed Model 1 IGA, the Issuer is a Reporting Model 1 FFI under FATCA. As such, the Issuer and financial institutions through which payments on the Bonds are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Bonds is made is not a Participating FFI, a Reporting FI, or otherwise not exempt from or is deemed not compliant with FATCA. This withholding is however suspended under Model 1 IGA, if the Reporting Model 1 FFIs and the Philippine government would comply with their obligations thereunder, particularly on due diligence and reporting.

Should the Bonds be in global form and held within clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds by the Issuer, any paying agent, common depositary, or common safekeeper, as the case may be, given that each of the entities in the payment chain beginning with the Issuer and ending with the clearing systems, if applicable, is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Bonds. The documentation expressly contemplates that the Bonds will go into definitive form and therefore that they may be taken out of the clearing systems, if applicable. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding.

FATCA is particularly complex and its application is uncertain at this time due to continuing changes. The above description is based in part on regulations, official guidance and Model IGA, all of which are subject to change or may be implemented in a materially different form.

To ensure compliance with FATCA and IRS circular 230, each taxpayer is hereby notified that: (a) any tax discussion herein is not intended or written to be used, and cannot be used by the taxpayer for the purpose of avoiding U.S. Federal income tax penalties that may be imposed on the taxpayer; (b) any such tax discussion was written to support the promotion or marketing of the transactions or matters addressed herein; and (c) the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.

METHOD OF DISTRIBUTION

The Bonds are being issued pursuant to BSP Circular No. 1010 (Series of 2018) and other related circulars and issuances of the BSP (the "**BSP Rules**"). The issuance of the Bonds is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

The Bonds will be issued by the Issuer in several tranches under the Programme with (a) Standard Chartered Bank as Initial Selling Agent, (b) the Bank as Selling Agent, (c) Philippine Depository & Trust Corp. as Registrar and Paying Agent, (d) Development Bank of the Philippines – Trust Banking Group as Trustee, and (e) other Lead Arranger/s and Bookrunner/s and Selling Agents as confirmed by the Bank.

No action has been or will be taken by the Issuer or the relevant Lead Arranger/s and Bookrunner in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Bonds, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds, in any country or jurisdiction where action for that purpose is required.

The Lead Arranger/s and Bookrunner/s for each issuance are required to comply with all laws, BSP rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Bonds and any distribution and intermediation activities, whether in the primary or secondary markets. The relevant Lead Arranger and Bookrunner appointed, save for RCBC Capital Corporation as the case may be, is a third-party in relation to Bank, such that, (i) it has no subsidiary/affiliate relationship with Bank; (ii) it is not related in any manner to Bank as would undermine the objective conduct of due diligence on Bank. The Registrar and Paying Agent and Trustee are likewise third-parties in relation to Bank, such that, (i) it has no subsidiary/affiliate relationship with Bank; (ii) it is not related in any manner to Bank as would undermine their independence.

The market maker as specified in the Pricing Supplement for each Issuance or Tranche is expected to provide live bids good for the minimum denomination under the General Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEx Trading Rules, Conventions, and Guidelines. The relevant Lead Arranger/s and Bookrunner/s for each issuance are not obligated to make a market for the Bonds. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Selling Agents or any affiliate of the Selling Agents is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Selling Agent or its affiliate on behalf of the Issuer in such jurisdiction.

The relevant Lead Arranger and Bookrunner or their respective affiliates may purchase the Bonds for its own account or enter into secondary market transactions or derivative transactions relating to the Bonds, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackagings, and credit default swaps, at the same time as the offering of the Bonds. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be a purchaser of the Bonds). As a result of such transactions, the relevant Lead Arranger and Bookrunner or their respective affiliates may hold long or short positions relating to the Bonds. The relevant Lead Arranger and Bookrunner and their respective affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Issuer or its Affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, the relevant Lead Arranger and Bookrunner and its affiliates may, from time to time after completion of the offering of the Bonds, engage in other transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of their business. The relevant Lead Arranger and Bookrunner and its affiliates may also purchase Bonds for asset management and/or proprietary purposes but not with a view to distribution or may hold Bonds on behalf of clients or in the capacity of investment advisors. While the relevant Lead Arranger and Bookrunner and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the relevant Lead Arranger and Bookrunner or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Bonds. The relevant Lead Arranger and Bookrunner may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Bonds.

DISTRIBUTION AND SALE

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information found elsewhere in this Offering Circular, the General Terms and Conditions included herein, the Pricing Supplement, and the related Agreements regarding the offer, maintenance, trade and settlement of the Bonds. Prospective Bondholders should read this entire Offering Circular, the General Terms and Conditions, and the related Agreements fully and carefully. In case of any inconsistency between this summary and the more detailed information in this Offering Circular, then the more detailed portions and/or General Terms and Conditions, and/or the Agreements, as the case may be, shall at all times prevail.

Offering and Procedures

Pursuant to the Issue Management and Placement Agreement, Registry and Paying Agency Agreement and Trust Agreement, (the "**Agreements**") entered into by the Bank with the relevant counterparties, and subject to the general terms and conditions of the Bond Certificate, as well as the applicable provisions of the MORB, the Bonds are being issued by the Bank with (a) Standard Chartered Bank as Initial Selling Agent, (b) the Bank as Selling Agent, (c) Philippine Depository & Trust Corp. as Registrar and Paying Agent, (d) Development Bank of the Philippines – Trust Banking Group as Trustee, and (e) other Lead Arranger/s and Bookrunner/s and Selling Agents as confirmed by the Bank for each series or tranche under the Programme.

The following is a summary of the procedures to be adopted among the parties and the prospective Bondholders and is qualified in its entirety by, and should be read in conjunction with, the more detailed information found elsewhere in this Offering Circular and the Agreements.

The Offer Period

During the Offer Period, the Bank, through the relevant Lead Arranger/s and Bookrunner/s and the relevant Selling Agents, shall solicit subscriptions to the Bonds from Bondholders. Prospective Bondholders may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Applications to Purchase the Bonds (the "**Applications**"), either in electronic form through the e-SIP Portal of the Philippine Dealing System (PDS) or in hard copy (in such number of copies required for the offering), together with all the required attachments and the corresponding payments to the Selling Agents from whom such application was obtained no later than 5:00 p.m. (or such earlier or later time as may be indicated in the Application to Purchase) on the last day of the Offer Period. Applications received after said date or time or without the required attachments will be rejected. Only Applications that are accompanied by payments in cleared funds or covered by acceptable payment instructions and covering the entire application money shall be accepted by the Selling Agents. The Selling Agents shall receive such funds and shall hold it until the end of the Offer Period. The Issuer may, in consultation with the relevant Lead Arranger/s and Bookrunner/s, adjust the timetable as necessary, including closing the public offer period earlier, and subject to other factors, including, but not limited to, market conditions.

The Applicant/Offeror shall be deemed to have firmly, unequivocally, and irrevocably make the offer to purchase the Bonds in accordance with the General Terms and Conditions at the Offered Purchase Amount from the Bank through the Selling Agent on the Issue Date. The Offered Purchase Amount must be accompanied by checks or demand drafts or covered by appropriate debit or other acceptable payment instructions made out to the order of the relevant Bond issuance and must be tendered as a deposit for full payment for the Offer (the Deposit). Subject to the foregoing, the Offer, and the Deposit tendered hereby, shall not be withdrawable without the prior written consent of the Selling Agent and the Bank.

In addition to duly executed Application to Purchase forms, each applicant shall submit the following documents to the relevant Lead Arranger/s and Bookrunner/s and the relevant Selling Agents:

1) Documents to be provided by Applicants who are individuals:
    a. At least one (1) authentic and unaltered photo-bearing plastic identification document issued by an official government authority in accordance with BSP Circular No. 608 (2008) and BSP Circular No. 706 (2011) as may be amended from time to time, or such other ID and documents as may be required by or acceptable to the Registrar and/or Selling Agent concerned;
    b. Two (2) fully executed signature cards in the form attached to the Application; and
    c. Name, present address, date and place of birth, nature of work and source of funds of the beneficial owners or beneficiary of the Applicant / Offeror, if applicable; and

d. For aliens residing in the Philippines or non-residents engaged in trade or business in the Philippines, consularized proof of tax domicile issued by the relevant tax authority of the Applicant.

2) Documents to be submitted by corporate and institutional Applicants:
   a. SEC-certified or Corporate Secretary-certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-Laws or such other relevant and equivalent organizational or charter documents;
   b. Original or Corporate Secretary-certified true copy of the duly notarized certificate confirming the resolution of the Board of Directors and/or committees or bodies authorizing the purchase of the Bonds and specifying the authorized signatories;
   c. SEC-certified or Corporate Secretary-certified copy of the latest General Information Sheet which lists the names of directors / trustees / partners, principal, stockholders owning at least 20% of the outstanding capital stock and primary officers such as the President and Treasurer;
   d. Name, present address, date and place of birth, nature of work and source of funds of the beneficial owner or beneficiary of the Applicant / Offeror, if applicable;
   e. A list of the natural persons who are the beneficial owners of the parent company of the Applicant/Offeror;
   f. IDs of the Applicant's/Offeror's authorized signatories and at least two (2) of the Applicant's/Offeror's directors, including the managing director, as applicable; and such IDs and documentation as the Selling Agent concerned may require for purposes of KYC and AMLA compliance;
   g. Two (2) fully executed signature cards duly authenticated by the Corporate Secretary with respect to corporate and institutional investors, in the form attached to the Application.
   h. If claiming tax-exempt status, the (i) certified true copy of the original tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue on file with the Applicant as certified by its duly authorized officer, (ii) original duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Issuer and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from or incidental to the non-withholding of the required tax; and (iii) such other documentary requirements as may be required by the Issuer or Selling Agent as proof of the Applicant's tax-exempt status;

3) Documents to be provided by Tax-Exempt Bondholders:
   a. Certification disclosing the identity/ies of the beneficial owners (not needed if name/s of beneficial owners are already disclosed in the Application to Purchase)
   b. Certified True Copy of valid and applicable BIR Ruling/ Tax Exemption Certification if the Beneficial Owner indicated in the Certification of item 1 is an Institution/Corporate Account.
   c. Letter of undertaking, which states that the investor, in the event the BIR does not issue a new ruling and becomes subject to WHT, will allow RCBC to withhold the taxes due based on the investor's holdings, without the requirement to notify the investor and/or obtain the investor's consent
   d. Copy of the application for tax exemption ruling, with the required attachments, filed before the BIR pursuant to relevant BIR and DOF issuances

4) For entities registered outside the Philippines, similar corporate documents and/or information, as indicated in the preceding Items 2 and 3, whenever applicable, shall be obtained and duly authenticated by the Philippine Consulate/Embassy where said entities are registered or apostilled in accordance with the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents.

5) To the extent allowed under the General Terms and Conditions, and the relevant Pricing Supplements, for Non-U.S. Persons who have U.S. indicia U.S. citizenship or lawful permanent resident (green card) status; a U.S. birthplace; a U.S. residence address or a U.S. correspondence address (including a U.S. P.O. box); a U.S. telephone number (regardless of whether such number is the only telephone number associated with the account holder); standing instructions to pay any amounts from the account to an account maintained in the U.S.; an "in care of" address or a "hold mail" address that is the sole address with respect to the Applicant/Offeror; or a power of attorney or signatory authority granted to a person with a U.S. address, citizens, residents, or permanent resident card holders, including US corporations and other juridical entities, the necessary U. S. IRS documentation (e.g. W-8BEN or W-8BEN-EW9 form) if required by the Bank, the Selling Agents, the Registrar or the Paying Agent.

In addition, the relevant Lead Arranger/s and Bookrunner/s and the relevant Selling Agents may each request such other documents from an applicant in order to establish his/her/its eligibility as Bondholder of the Bonds, his/her/its exemption from taxation of interest income from fixed income securities or to comply with applicable requirements of the AMLA or the BSP Rules.

Allocation and Issue of the Bonds

Applications to Purchase of the Bonds shall be subject to the availability of the Bonds and acceptance by the Bank. The relevant Lead Arranger/s and Bookrunner/s, in consultation with the Bank, reserve the right to accept, reject, scale down, or reallocate any Application.

In the event that payment supporting any Application is returned by the drawee bank for any reason whatsoever, the Application shall be automatically cancelled and any prior acceptance of the Application shall be deemed revoked. If any Application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Selling Agent. On the Issue Date, the Selling Agents, shall, on behalf of the Bank, accept the relevant Applications to Purchase. The acceptance of the Application to Purchase shall *ipso facto* convert such Application to Purchase into a purchase agreement between the Bank and the relevant prospective Bondholder.

The Registrar shall rely solely on the Consolidated Sales Report in its preparation of the Registry and the issuance of the Registry Confirmation for each Bondholder. The Registrar shall distribute the Registry Confirmations directly to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Transactions in the Secondary Market

All secondary trading of the Bonds shall be coursed through the trading facilities of PDEx, subject to the payment by the Bondholder of applicable fees in connection with trading on PDEx and the Registrar. Transfers shall be subject to the procedures of the BSP, the Registrar and Paying Agent, and PDEx, including but not limited to the guidelines on minimum trading lots, minimum holding denominations and record dates.

The Bank will be enrolling or listing (as applicable) the Bonds in PDEx for secondary market trading. Upon enrollment or listing of the Bonds with PDEx, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and shall settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEx Settlement Rules and Guidelines. The secondary trading of the Bonds in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the completion of such trades. Transactions on the Bonds on PDEx will be subject to the duly approved and relevant rules of the exchange, including guidelines on minimum trading lots and other guidelines for holding and trading of the Bonds as may be prescribed by the BSP.

No transfers will be effected during the period between the Record Date (two (2) business days prior to the relevant Interest Payment Date), and the Banking Day immediately prior to an Interest Payment Date or Principal Payment Date, inclusive.

The Registrar shall register any transfer of the Bonds upon presentation to it of the following documents in form and substance acceptable to it:

- the relevant Trade-Related Transfer Form or Non-Trade Related Transfer Form, as the case may be, duly accomplished by the transferor Bondholder and endorsed by the relevant Trading Participant, substantially in the form agreed upon between the Bank and the Registrar;
- in the case of a new Bondholder:
    - duly accomplished Investor Registration Form of the buyer/transferee as prescribed by the Registrar, substantially in the form set out in Annex F of the Registry and Paying Agency Agreement;
    - proof of the qualified tax-exempt status of the transferee, if applicable, and the covering Affidavit of Undertaking, Schedule 4 of the Registry and Paying Agency Agreement as the Form of Indemnity Undertaking;
    - the original duly endorsed signature cards of the buyer/transferee and such other original or certified true copies of other documents submitted by the buyer/transferee in support of the transfer or assignment

of the Bonds in its favor;
  - the appropriate secretary's certificate attesting to the board resolutions authorizing the transfers and acceptances as well as designating the authorized signatories, together with specimen signature cards duly signed by the parties, and duly authenticated by each party's corporate secretary; and

- upon enrollment or listing of the Bonds in PDEx, such other applicable documents or instructions to effect settlement of PDEx trades pursuant to the trading and settlement rules of PDEx in effect at that time.

- such other documents that may be required by the Registrar and Paying Agent; including but not limited to those documents for Non-Trade Transactions

Where the Bonds become listed on PDEx, all trade transactions must be coursed through PDEx in accordance with the PDEx Rules and conventions.

Transfers of the Bonds made in violation of the restrictions on transfer under the General Terms and Conditions shall be null and void and shall not be registered by the Registrar.

Payment of Interest and Principal

The Paying Agent shall pay, or cause to be paid, on behalf of the Issuer on or before 12:00 noon on each Payment Date the total amounts due in respect of the Bonds through a direct credit (via RTGS) of the proper amounts, net of taxes and fees (if any) to the Cash settlement banks of the Bondholders, for onward remittance to the relevant Cash Settlement Account of the Bondholders with the Cash settlement bank no later than 5:00 p.m. on each Payment Date.

Crediting of amounts in respect of the Bonds is at all times subject to the settlement procedures of RTGS and the internal clearing policies and procedures of each beneficiary/receiving bank.

Schedule of Registry Fees

The Registrar and Paying Agent shall be entitled to charge the Holders and/or their counterparties such reasonable fees as the Registrar and Paying Agent shall prescribe in connection with the services that the Registrar and Paying Agent shall perform, such as, but not limited to, the opening and maintaining of accounts in favor of the Bondholders, the maintenance of the records of the Bondholder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Bonds from a purchaser or seller/transferor of the Bonds.

<u>Transfer Fees in the Secondary Trading</u>

1. Transfer Fee of ₱100.00 to be paid each by the transferring Bondholder and the buyer/transferee prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring bondholder.

2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry

3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDSClear System if so duly authorized by a bondholder

<u>Transfer Fees due to Non-Trade Transactions</u>

1. Transaction Fee of ₱100.00 to be paid each by the transferring bondholder and the requesting party prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.

2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

<u>Other Fees charged to the Bondholder</u>

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Bondholders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application for a certification request of holding.

2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Bondholder free of charge).

3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.

4. The fee for Special Reports varies depending on request.

   (a) Report without back-up file restoration is subject to a fee of ₱100.00 per request, plus ₱20.00 per page.

   (b) Report requiring back-up file restoration is subject to a fee of ₱300.00 per request, plus ₱20.00 per page.

INDEX TO FINANCIAL STATEMENTS

Annex A: 2024 Audited Financial Statements

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Rizal Commercial Banking Corporation

December 31, 2024, 2023 and 2022

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

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), 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 each of the three years in the period ended December 31, 2024, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters identified in our audit of the financial statements of the Group and of the Parent Company:

(a) Valuation of Loans and Other Receivables (Expected Credit Losses)

Description of the Matter

As at December 31, 2024, the Group's and the Parent Company's expected credit losses (ECL) allowance for loans and receivables amounted to P20,130 million and P18,730 million, respectively, while the carrying amount of loans and receivables amounted to P742,497 million and P736,531 million, respectively (as disclosed in Note 11). We have identified the Group's and the Parent Company's ECL model significant to our audit as this:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, *Financial Instruments*, in assessing impairment of loans and receivables based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in credit risk (SICR) of different exposures;

- involves high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating and probability of default for corporate loans, flow rates for consumer loans, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,

- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

In accordance with their policy, the Group and the Parent Company regularly conducts a review of its ECL models to validate the assumptions used for each parameter used, and to determine the accuracy and effectiveness of the ECL methodologies in place. In 2024, the Parent Company incorporated post model adjustments on its ECL models as a result of this review. These adjustments arise from the application of credit analytics and credit judgments, allowing for a more granular segmentation of credit exposures. These also take into account the respective collection behaviors and updates for specific accounts that meet a certain criteria, reflecting recent trends in their performance and key changes in the risk appetite that have not been considered or present yet during the model development in 2023.

The material accounting policy information, significant judgments, including estimation applied by the management, and those related to the credit risk assessment process of the Group and the Parent Company are disclosed in Notes 2, 3 and 4 to the financial statements, respectively.

How the Matter was Addressed in the Audit

We obtained an understanding of the Group's and the Parent Company's accounting policies and methodologies applied, and evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Group's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation applied in the development of the Group's refreshed ECL model.

We also obtained an understanding of the post model adjustments and the corresponding results, and evaluated whether: (a) any historical and forward-looking information used as inputs are accurate and reliable; (b) the assumptions used are appropriate and properly reflect the current portfolio and credit practices; (c) the underlying theory and any statistical approaches used are appropriate and generally accepted; and (d) the resulting overlays to the ECL model are supported, documented and approved.

With respect to the use of significant judgments, including those involving estimation of inputs and assumptions used in the post model adjustments, we performed the following:

- engaged our Firm specialist to assist in evaluating the appropriateness of methodologies and assumptions used in the ECL calculation, including the changes arising from the Group's post model adjustments;

- assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and past due determination based on portfolio flow rates, and evaluated the appropriateness of the specific model applied for each loan portfolio;

- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;

- tested the Group's and the Parent Company's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;

- for forward-looking information, evaluated management's selection of macro-economic factors, scenarios and probability weightings, and assessed the reasonableness of the forecasted economic indicators by comparing with trusted publicly available information;

- tested loss given default information across various types of loan by inspecting records of historical recoveries and relevant costs, including valuation and cash flows from collateral, and write-offs;

- for post model adjustments, tested the completeness and accuracy of data inputs used as basis for judgments applied, assessed the suitability of the refined segmentation used, and recalculated the impact of recent recoveries to the loss given default for credit card receivables and specific corporate borrowers; and,

- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical drawdown and impact of loan modifications.

As part of our audit of the ECL methodology, we reviewed the completeness and accuracy of the historical and measurement data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we verified the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and receivables subjected to impairment assessment.

We also evaluated the completeness and appropriateness of the disclosures in the financial statements against the requirements of the relevant financial reporting standards.

(b) Systems Migration for Loans and Other Receivables

Description of the Matter

In 2024, the Parent Company migrated its auto and housing loan products into a new loan management system. The goals of the systems migration are to streamline the consumer lending process, upgrade the existing systems to further support the demands of the consumer loans business, and enhance integration capabilities with other existing solutions and platforms. The implementation of the new system included the migration of existing data, transition of business-as-usual functionalities, and booking of new consumer loan accounts from the old system to the new system.

We have identified that the systems migration is significant to our audit due to the following:

- there is a high degree of inherent risk on loss of integrity of key financial data being migrated, and potential breakdowns in operation or monitoring of IT dependent controls within the consumer lending process, such as loan origination, credit evaluation, underwriting, loan management, booking, disbursement, collateral management and collection, which could lead to financial errors or misstatements and inaccurate financial reporting; and,

- the consumer lending processes, which represents a significant portion of the loans portfolio of the Parent Company, are heavily dependent on the new system, and there is a risk that automated and related manual IT dependent controls are not designed and operating effectively.

The Parent Company has auto and housing loans with outstanding balance, gross of allowance for ECL, amounting to P161,351 million as of December 31, 2024, which are presented as part of Loans and Receivables account in the 2024 statement of financial position (see Note 11).

How the Matter was Addressed in the Audit

In testing the systems migration, we performed the following with the assistance of our Firm's IT specialist:

- examined the governance framework over the Parent Company's IT organization and the general controls over program changes;

- assessed and tested the controls specifically established over the implementation process, and reviewed the processes implemented over the download of data from the old system and the upload of data to the new system;

- tested the completeness and accuracy of the data transfer from the old to the new loan management system, including reconciliation of data to identify any discrepancies between migrated data and source records, transaction history, and customer information;

- conducted tests of certain aspects of the security of the new loan management system including access management and segregation of duties;

- tested IT application controls within the relevant business processes on the new system, including the configurations on automated calculation of amortized cost measurement and interest income, and the automated recording to the general ledger; and,

- assessed and tested the design and operating effectiveness of controls over the continued integrity of both the old and new systems that were relevant to the financial reporting during the year.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's and the Parent Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company'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 Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company'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 Group's and the Parent Company'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 Group's and the Parent Company'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 Group and the Parent Company to cease to continue as a going concern.

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 25 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to financial statements. The supplementary information for the years ended December 31, 2024, 2023 and 2022 required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 33 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by the BIR and BSP are the responsibility of management and are not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Maria Isabel E. Comedia.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10465901, January 2, 2025, Makati City
BIR AN 08-002511-021-2022 (until Oct. 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-005 (until Aug. 12, 2027)

February 24, 2025

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2024	GROUP 2023	PARENT COMPANY 2024	PARENT COMPANY 2023
RESOURCES					
CASH AND OTHER CASH ITEMS	9	**P 23,003**	P 19,875	**P 22,907**	P 19,812
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**115,230**	151,762	**112,763**	150,771
DUE FROM OTHER BANKS	9	**14,569**	14,892	**14,433**	14,630
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENTS	9	**-**	35,799	**-**	34,948
TRADING AND INVESTMENT SECURITIES - Net	10	**429,086**	330,742	**426,866**	328,443
LOANS AND RECEIVABLES - Net	11	**742,497**	649,929	**736,531**	643,681
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	**600**	509	**6,720**	6,401
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**8,033**	9,129	**7,060**	7,805
INVESTMENT PROPERTIES - Net	14	**695**	543	**695**	543
DEFERRED TAX ASSETS - Net	25	**6,052**	5,775	**5,578**	5,351
OTHER RESOURCES - Net	15	**20,388**	19,377	**19,599**	18,505
TOTAL RESOURCES		**P 1,360,153**	P 1,238,332	**P 1,353,152**	P 1,230,890

See Notes to Financial Statements.

	Notes	GROUP 2024	GROUP 2023	PARENT COMPANY 2024	PARENT COMPANY 2023
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	17	**P 1,022,794**	P 956,712	**P 1,022,737**	P 957,369
BILLS PAYABLE	18	**86,616**	50,858	**80,928**	43,957
BONDS PAYABLE	19	**26,935**	34,939	**26,935**	34,939
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	20	**11,667**	12,082	**11,319**	11,786
OTHER LIABILITIES	21	**53,650**	31,466	**52,751**	30,573
Total Liabilities		**1,201,662**	1,086,057	**1,194,670**	1,078,624
EQUITY	22				
Attributable to:					
Parent Company's Shareholders		**158,485**	152,269	**158,482**	152,266
Non-controlling Interests		**6**	6	**-**	-
		158,491	152,275	**158,482**	152,266
TOTAL LIABILITIES AND EQUITY		**P 1,360,153**	P 1,238,332	**P 1,353,152**	P 1,230,890

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		GROUP			PARENT COMPANY		
	Notes	**2024**	2023	2022	**2024**	2023	2022
INTEREST INCOME							
Loans and receivables	11	**P 61,051**	P 49,407	P 34,970	**P 60,270**	P 48,569	P 34,367
Trading and investment securities	10	**15,965**	13,239	9,755	**15,904**	13,171	9,683
Due from BSP and other banks	9	**2,067**	3,643	1,110	**1,981**	3,544	1,077
		79,083	66,289	45,835	**78,155**	65,284	45,127
INTEREST EXPENSE							
Deposit liabilities	17	**31,108**	28,035	10,057	**31,104**	28,056	10,055
Bills payable and other borrowings	13, 18, 19, 21, 23	**5,474**	4,625	4,562	**5,093**	4,246	4,173
		36,582	32,660	14,619	**36,197**	32,302	14,228
NET INTEREST INCOME		**42,501**	33,629	31,216	**41,958**	32,982	30,899
IMPAIRMENT LOSSES - Net	16						
Financial assets	4, 10, 11	**8,337**	6,677	5,347	**8,287**	5,864	5,131
Non-financial assets	14, 15	**282**	211	359	**277**	210	358
		8,619	6,888	5,706	**8,564**	6,074	5,489
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**33,882**	26,741	25,510	**33,394**	26,908	25,410
OTHER OPERATING INCOME							
Service fees and commissions		**8,485**	6,658	5,469	**7,962**	6,362	5,112
Foreign exchange gains (losses) - net		**(1,976)**	(15)	1,567	**(1,996)**	(22)	1,555
Trading and securities gains (losses) - net	10	**1,495**	444	(37)	**1,533**	429	22
Gain on assets sold - net	13, 14, 15	**1,352**	6,714	3,088	**1,342**	6,656	2,985
Share in net earnings (losses) of subsidiaries and associates	12	**85**	92	32	**491**	(157)	154
Trust fees	26	**-**	423	415	**-**	423	415
Gain on disposal of subsidiaries	12	**-**	243	-	**-**	243	-
Miscellaneous - net	24	**1,466**	1,809	2,704	**1,161**	1,373	2,012
		10,907	16,368	13,238	**10,493**	15,307	12,255
TOTAL OPERATING INCOME *(Forward)*		**P 44,789**	P 43,109	P 38,748	**P 43,887**	P 42,215	P 37,665

See Notes to Financial Statements.

	Notes	GROUP 2024	GROUP 2023	GROUP 2022	PARENT COMPANY 2024	PARENT COMPANY 2023	PARENT COMPANY 2022
TOTAL OPERATING INCOME		**P 44,789**	P 43,109	P 38,748	**P 43,887**	P 42,215	P 37,665
OTHER OPERATING EXPENSES							
Employee benefits	23	**8,059**	7,150	6,563	**7,061**	6,321	5,794
Taxes and licenses		**6,536**	6,534	4,645	**6,398**	6,416	4,508
Occupancy and equipment-related	27, 28	**3,892**	3,262	2,908	**3,790**	3,172	2,813
Depreciation and amortization	13, 14, 15	**3,379**	3,365	3,037	**3,113**	3,014	2,544
Miscellaneous	24	**9,935**	9,283	7,947	**10,661**	9,791	8,408
		31,801	29,594	25,100	**31,023**	28,714	24,067
PROFIT BEFORE TAX		**12,988**	13,515	13,648	**12,864**	13,501	13,598
TAX EXPENSE	25	**3,468**	1,298	1,568	**3,344**	1,283	1,518
NET PROFIT		**P 9,520**	P 12,217	P 12,080	**P 9,520**	P 12,218	P 12,080
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 9,520**	P 12,218	P 12,080			
NON-CONTROLLING INTERESTS		**-**	(1)	-			
		P 9,520	P 12,217	P 12,080			
Earnings Per Share							
Basic and diluted	29	**P 3.48**	P 5.07	P 5.42			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2024**	2023	2022	**2024**	2023	2022
NET PROFIT		**P 9,520**	P 12,217	P 12,080	**P 9,520**	P 12,218	P 12,080
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	23	**371**	(1,366)	782	**377**	(1,324)	782
Fair value gains on equity securities at fair value through other comprehensive income (FVOCI)	10, 22	**232**	263	191	**238**	276	272
Share in other comprehensive income (losses) of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12	**7**	16	4	**1**	(26)	4
Fair value losses on equity securities at FVOCI	12, 22	**-**	-	-	**(5)**	(13)	(81)
		610	(1,087)	977	**611**	(1,087)	977
Items that will be reclassified subsequently to profit or loss							
Fair value gains (losses) on debt securities at FVOCI	10, 22	**(372)**	1,432	(5,446)	**(373)**	1,432	(5,446)
Translation adjustments on foreign operations	22	**6**	-	-	**6**	-	-
		(366)	1,432	(5,446)	**(367)**	1,432	(5,446)
Total Other Comprehensive Income (Loss)	22	**244**	345	(4,469)	**244**	345	(4,469)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 9,764**	P 12,562	P 7,611	**P 9,764**	P 12,563	P 7,611
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 9,764**	P 12,563	P 7,611			
NON-CONTROLLING INTERESTS		**-**	(1)	-			
		P 9,764	P 12,562	P 7,611			

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos)

GROUP

	Notes	ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS												
		COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	TREASURY SHARES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2024		P 24,195	P 3	P 58,228	P 14,463	(P 6,044)	P -	P 551	(P 86)	P 4,599	P 56,360	P 152,269	P 6	P 152,275
Transactions with owners:														
Cash dividends	22	-	-	-	-	-	-	-	-	-	(3,548)	(3,548)	-	(3,548)
Net profit for the year		-	-	-	-	-	-	-	-	-	9,520	9,520	-	9,520
Other comprehensive income		-	-	-	-	244	-	-	-	-	-	244	-	244
General loan loss appropriation	22	-	-	-	-	-	-	-	-	965	(965)	-	-	-
Transfer of fair value loss on financial asset at fair value through other comprehensive income (FVOCI) to surplus	10, 22	-	-	-	-	2	-	-	-	-	(2)	-	-	-
Transfer from reserve for trust business to surplus	26	-	-	-	-	-	-	(551)	-	-	551	-	-	-
		-	-	-	-	246	-	(551)	-	965	9,104	9,764	-	9,764
Balance at December 31, 2024		**P 24,195**	**P 3**	**P 58,228**	**P 14,463**	**(P 5,798)**	**P -**	**P -**	**(P 86)**	**P 5,564**	**P 61,916**	**P 158,485**	**P 6**	**P 158,491**
Balance at January 1, 2023		P 22,509	P 3	P 42,493	P 14,463	(P 6,392)	(P 9,287)	P 532	(P 86)	P 3,824	P 48,294	P 116,353	P 8	P 116,361
Transactions with owners:														
Reissuance of treasury shares	22	-	-		-	-	9,287	-	-	-	-	9,287	-	9,287
Issuance of common stock	22	1,686	-	15,735	-	-	-	-	-	-	-	17,421	-	17,421
Cash dividends	22	-	-	-	-	-	-	-	-	-	(3,289)	(3,289)	-	(3,289)
		1,686	-	15,735	-	-	9,287	-	-	-	(3,289)	23,419	-	23,419
Net profit for the year		-	-	-	-	-	-	-	-	-	12,218	12,218	(1)	12,217
Other comprehensive income		-	-	-	-	345	-	-	-	-	-	345	-	345
General loan loss appropriation	22	-	-	-	-	-	-	-	-	775	(775)	-	-	-
Transfer to fair value loss on financial asset at FVOCI to surplus	10, 22	-	-	-	-	3	-	-	-	-	(3)	-	-	-
Changes in ownership interest of a subsidiary	22	-	-	-	-	-	-	-	-	-	(66)	(66)	(1)	(67)
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	19	-	-	(19)	-	-	-
		-	-	-	-	348	-	19	-	775	11,355	12,497	(2)	12,495
Balance at December 31, 2023		P 24,195	P 3	P 58,228	P 14,463	(P 6,044)	P -	P 551	(P 86)	P 4,599	P 56,360	P 152,269	P 6	P 152,275
Balance at January 1, 2022		P 22,509	P 3	P 42,505	P 14,463	(P 1,923)	(P 9,287)	P 508	(P 97)	P 3,617	P 38,764	P 111,062	P 18	P 111,080
Transactions with owners:														
Reissuance of treasury shares	22	-	-	(12)	-	-	-	-	-	-	-	(12)	-	(12)
Cash dividends	22	-	-	-	-	-	-	-	-	-	(2,308)	(2,308)	-	(2,308)
		-	-	(12)	-	-	-	-	-	-	(2,308)	(2,320)	-	(2,320)
Net profit for the year		-	-	-	-	-	-	-	-	-	12,080	12,080	-	12,080
Other comprehensive loss		-	-	-	-	(4,469)	-	-	-	-	-	(4,469)	-	(4,469)
General loan loss appropriation	22	-	-	-	-	-	-	-	-	207	(207)	-	-	-
Changes in ownership interest of a subsidiary	22	-	-	-	-	-	-	-	11	-	(11)	-	(10)	(10)
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	24	-	-	(24)	-	-	-
		-	-	-	-	(4,469)	-	24	11	207	11,838	7,611	(10)	7,601
Balance at December 31, 2022		P 22,509	P 3	P 42,493	P 14,463	(P 6,392)	(P 9,287)	P 532	(P 86)	P 3,824	P 48,294	P 116,353	P 8	P 116,361

See Notes to Financial Statements.

PARENT COMPANY

	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	TREASURY SHARES	RESERVE FOR TRUST BUSINESS	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL EQUITY
Balance at January 1, 2024		P 24,195	P 3	P 58,228	P 14,463	(P 6,044)	P -	P 551	P 4,589	P 56,281	P 152,266
Transactions with owners:											
Cash dividends	22	-	-	-	-	-	-	-	-	(3,548)	(3,548)
Net profit for the year		-	-	-	-	-	-	-	-	9,520	9,520
Other comprehensive income		-	-	-	-	244	-	-	-	-	244
General loan loss appropriation	22	-	-	-	-	-	-	-	948	(948)	-
Transfer of fair value loss on financial asset at fair value through other comprehensive income (FVOCI) to surplus	10, 23	-	-	-	-	2	-	-	-	(2)	-
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	(551)	-	551	-
		-	-	-	-	246	-	(551)	948	9,121	9,764
Balance at December 31, 2024		**P 24,195**	**P 3**	**P 58,228**	**P 14,463**	**(P 5,798)**	**P -**	**P -**	**P 5,537**	**P 61,854**	**P 158,482**
Balance at January 1, 2023		P 22,509	P 3	P 42,493	14,463	(P 6,392)	(P 9,287)	P 532	P 3,823	P 48,140	P 116,284
Transactions with owners:											
Reissuance of treasury shares	22	-	-		-	-	9,287	-	-	-	9,287
Issuance of common stock	22	1,686	-	15,735	-	-	-	-	-	-	17,421
Cash dividends	22	-	-	-	-	-	-	-	-	(3,289)	(3,289)
		1,686	-	15,735	-	-	9,287	-	-	(3,289)	23,419
Net profit for the year		-	-	-	-	-	-	-	-	12,218	12,218
Other comprehensive income		-	-	-	-	345	-	-	-	-	345
General loan loss appropriation	22	-	-	-	-	-	-	-	766	(766)	-
Transfer of fair value loss on financial asset at FVOCI to surplus	10, 23	-	-	-	-	3	-	-	-	(3)	-
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	19	-	(19)	-
		-	-	-	-	348	-	19	766	11,430	12,563
Balance at December 31, 2023		P 24,195	P 3	P 58,228	P 14,463	(P 6,044)	P -	P 551	P 4,589	P 56,281	P 152,266
Balance at January 1, 2022		P 22,509	P 3	P 42,505	P 14,463	(P 1,923)	(P 9,287)	P 508	P 3,616	P 38,599	P 110,993
Transactions with owners:											
Reissuance of treasury shares	22	-	-	(12)	-	-	-	-	-	-	(12)
Cash dividends	22	-	-	-	-	-	-	-	-	(2,308)	(2,308)
		-	-	(12)	-	-	-	-	-	(2,308)	(2,320)
Net profit for the year		-	-	-	-	-	-	-	-	12,080	12,080
Other comprehensive loss		-	-	-	-	(4,469)	-	-	-	-	(4,469)
General loan loss appropriation	22	-	-	-	-	-	-	-	207	(207)	-
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	24	-	(24)	-
		-	-	-	-	(4,469)	-	24	207	11,849	7,611
Balance at December 31, 2022		P 22,509	P 3	P 42,493	P 14,463	(P 6,392)	(P 9,287)	P 532	P 3,823	P 48,140	P 116,284

See Notes to Financial Statements.

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2024	GROUP 2023	GROUP 2022	PARENT COMPANY 2024	PARENT COMPANY 2023	PARENT COMPANY 2022
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 12,988**	P 13,515	P 13,648	**P 12,864**	P 13,501	P 13,598
Adjustments for:							
Interest income	9, 10, 11	**(79,083)**	(66,289)	(45,835)	**(78,155)**	(65,284)	(45,127)
Interest received		**64,448**	47,718	45,379	**59,532**	46,932	44,516
Interest paid		**(36,633)**	(30,830)	(12,577)	**(36,249)**	(30,476)	(12,145)
Interest expense	17, 18, 19, 21, 23	**36,582**	32,660	14,619	**36,197**	32,302	14,228
Impairment losses - net	16	**8,619**	6,888	5,706	**8,564**	6,074	5,489
Depreciation and amortization	13, 14, 15	**3,379**	3,365	3,037	**3,113**	3,014	2,544
Gain on assets sold - net	13, 14, 15	**(1,352)**	(6,714)	(3,088)	**(1,342)**	(6,656)	(2,985)
Dividend income	24	**(322)**	(318)	(311)	**(273)**	(252)	(227)
Share in net losses (earnings) of subsidiaries and associates	12	**(85)**	(92)	(32)	**(491)**	157	(154)
Gain on disposal of subsidiaries	12	**-**	(243)	-	**-**	(243)	-
Operating proft (loss) before working capital changes		**8,541**	(340)	20,546	**3,760**	(931)	19,737
Decrease (increase) in financial assets at fair value through profit and loss		**1,544**	(4,741)	(1,174)	**1,429**	(4,815)	(1,260)
Increase in loans and receivables		**(81,428)**	(70,302)	(36,129)	**(77,672)**	(71,114)	(35,938)
Decrease (increase) in investment properties		**(236)**	2,072	2,093	**(235)**	1,842	2,009
Decrease (increase) in other resources		**(1,302)**	(6,100)	180	**(1,222)**	(6,322)	725
Increase in deposit liabilities		**66,082**	99,468	184,785	**65,368**	99,730	183,225
Increase (decrease) in accrued interest, taxes and other expenses		**(400)**	2,590	256	**(475)**	2,552	189
Increase (decrease) in other liabilities		**27,297**	(694)	10,688	**27,214**	(442)	10,585
Cash generated from operations		**20,098**	21,953	181,245	**18,167**	20,500	179,272
Income taxes paid		**(3,709)**	(4,099)	(2,069)	**(3,511)**	(3,910)	(1,973)
Net Cash From Operating Activities		**16,389**	17,854	179,176	**14,656**	16,590	177,299
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of securities at fair value through other comprehensive income (FVOCI)	10	**(391,742)**	(442,380)	(131,018)	**(391,718)**	(442,360)	(130,903)
Disposal of securities at FVOCI	10	**315,409**	476,584	60,578	**315,386**	476,576	59,863
Acquisition of investments in securities at amortized cost	4	**(26,330)**	(16,099)	(149,832)	**(24,245)**	(14,092)	(148,342)
Proceeds from redemption and maturity of securities at amortized cost	4	**2,674**	31,956	61,045	**629**	29,688	59,894
Acquisitions of bank premises, furniture, fixtures, and equipment	13	**(1,387)**	(3,716)	(1,627)	**(1,291)**	(1,432)	(1,251)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	**1,047**	9,836	2,487	**856**	7,401	2,032
Acquisitions of software	15	**(519)**	(381)	(334)	**(518)**	(362)	(333)
Cash dividends received	12, 24	**322**	318	293	**280**	344	798
Net Cash From (Used in) Investing Activities *(Forward)*		**(P 100,526)**	P 56,118	(P 158,408)	**(P 100,621)**	P 55,763	(P 158,242)

See Notes to Financial Statements.

	Notes	GROUP 2024	GROUP 2023	GROUP 2022	PARENT COMPANY 2024	PARENT COMPANY 2023	PARENT COMPANY 2022
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from availments of bills payable	30	**P 43,948**	P 15,333	P 62,142	**P 41,100**	P 15,333	P 55,380
Maturity of bonds payable	30	**(31,542)**	(39,041)	(31,170)	**(31,542)**	(39,041)	(31,170)
Payments of bills payable	30	**(10,232)**	(29,767)	(52,865)	**(6,171)**	(28,399)	(44,867)
Issuance of bonds payable	19, 30	**23,138**	-	14,756	**23,138**	-	14,756
Dividends paid	22	**(3,548)**	(3,289)	(2,308)	**(3,548)**	(3,289)	(2,308)
Payment of lease liabilities	21, 30	**(2,366)**	(2,131)	(2,265)	**(2,283)**	(2,044)	(2,189)
Net proceeds from issuance of shares of stock	22	**-**	17,421	-	**-**	17,421	-
Reissuance of treasury shares	22	**-**	9,287	(12)	**-**	9,287	(12)
Net Cash From (Used in) Financing Activities		**19,398**	(32,187)	(11,722)	**20,694**	(30,732)	(10,410)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(64,739)**	41,785	9,046	**(65,271)**	41,621	8,647
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9						
Cash and other cash items		**19,875**	18,078	14,691	**19,812**	18,024	14,663
Due from Bangko Sentral ng Pilipinas		**151,762**	156,664	130,170	**150,771**	155,340	128,931
Due from other banks		**14,892**	5,836	12,162	**14,630**	5,383	11,860
Loans arising from reverse repurchase agreements		**35,799**	8,724	11,691	**34,948**	8,552	11,656
Interbank loans receivable		**27,780**	19,021	30,563	**27,780**	19,021	30,563
		250,108	208,323	199,277	**247,941**	206,320	197,673
CASH AND CASH EQUIVALENTS AT END OF YEAR	9						
Cash and other cash items		**23,003**	19,875	18,078	**22,907**	19,812	18,024
Due from Bangko Sentral ng Pilipinas		**115,230**	151,762	156,664	**112,763**	150,771	155,340
Due from other banks		**14,569**	14,892	5,836	**14,433**	14,630	5,383
Loans arising from reverse repurchase agreements		**-**	35,799	8,724	**-**	34,948	8,552
Interbank loans receivable		**32,567**	27,780	19,021	**32,567**	27,780	19,021
		P 185,369	P 250,108	P 208,323	**P 182,670**	P 247,941	P 206,320

See Notes to Financial Statements

RIZAL COMMERCIAL BANKING CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank has been granted with perpetual existence by the Securities and Exchange Commission (SEC) on September 30, 2022. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. Under relevant authority granted by the Bangko Sentral ng Pilipinas (BSP), the Bank is also licensed to deal in different types of derivative products such as, but not limited, to foreign currency forwards, interest rate swaps and cross currency swaps. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

As a banking institution, the Group's operations are regulated and supervised by the BSP. As such, the Group is required to comply with banking rules and regulations 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 Group's activities are subject to the provisions of Republic Act (R.A.) No. 8791, the *General Banking Law of 2000*, and other related banking laws.

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE).

The Group and the Parent Company's banking network within and outside the Philippines as of December 31 follows:

	Group		Parent Company	
	2024	2023	**2024**	2023
Automated teller machines (ATMs)	**1,482**	1,460	**1,482**	1,460
ATM Go	**7,947**	3,861	**7,947**	3,861
Branches	**453**	454	**437**	438
Extension offices	**12**	4	**2**	2

RCBC is a 33.92%-owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC or Ultimate Parent), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City. As of December 31, 2024 and 2023, Cathay Life Insurance Corporation (Cathay) also owns 18.68% interest in RCBC.

On August 26, 2022 and September 30, 2022, the BSP and Securities and Exchange Commission (SEC), respectively, approved the amendment of Articles of Incorporation (AOI) of the Parent Company to allow foreign ownership to exceed 40% (see Note 22.1).

In 2023, Sumitomo Mitsui Banking Corporation (SMBC) has completed its acquisition of an additional 15.01% equity stake in RCBC resulting in an increase of SMBC's shareholding to 20.00% (see Note 22.2), effectively making RCBC 44.10% foreign-owned. As of December 31, 2024 and 2023, SMBC owns 20.00% interest in RCBC. To comply with constitutional requirements on land ownership, the Bank disposed of its land through the following measures:

- sale and leaseback transaction of bank premises and investment properties with AT Yuchengco Center Inc. (ATYCI) [see Notes 13 and 27.7(a)];
- disposal of 119 Bank-owned real estate properties to a property holding company - Frame Properties Inc. (see Notes 13, 23.2 and 27.5);
- sale of subsidiaries Niyog Property Holdings, Inc. (NPHI) and Cajel Realty Corporation (Cajel) to Filinvest Land Inc. (FLI) (see Notes 12 and 15.1);
- donation and transfer of 19.41% ownership in RCBC-JPL Holding Company, Inc. (RCBC JPL) (see Note 23.2); and,
- disposal of the remaining consolidated properties of the Bank (see Note 15.1).

With the endorsement of the Group's Trust Committee, on November 28, 2022, the Bank's Board of Directors (BOD) approved the spin-off of the trust operations from the Parent Company into a separate corporate entity by establishing a Stand-Alone Trust Corporation in accordance with the Manual of Regulations for Non-Bank Financing Institutions. The BOD approved the capital infusion by the Parent Company equivalent to 40% of the required capital under the capital build-up plan.

On March 27, 2023, the Bank's BOD approved the incorporation of the RCBC Trust Corporation (RTC), where the Bank subscribed to 400,000 shares amounting to P40, equivalent to 40% of the subscribed share capital of RTC. RTC was officially incorporated on June 29, 2023, while its application of Trust License from BSP – Stage 3 was approved on October 10, 2023. RTC started operations on January 2, 2024 (see Notes 12 and 26).

The Parent Company's registered address, which is also its principal office, is at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

1.2 Subsidiaries and Associates

The Parent Company holds ownership interests in the following subsidiaries and associates at the end of 2024 and 2023:

Subsidiaries and Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2024	2023
Subsidiaries:				
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance	(a)	**-**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(b)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI or RCBC Securities)	Securities brokerage and dealing	(c)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(c)	**99.96**	99.96
RCBC JPL	Property holding	(e)	**80.00**	99.41
Rizal Microbank, Inc. (Rizal Microbank)	Thrift banking and microfinance		**100.00**	100.00
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**99.67**	99.67
RCBC Rental Corporation (RRC)	Property leasing	(d)	**99.67**	99.67
Associates:				
YGC Corporate Services, Inc. (YCS)	Support services for YGC		**40.00**	40.00
RTC	Trust, fiduciary and investment management	(f)	**40.00**	40.00
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental		**35.00**	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles		**12.88**	12.88

Except for RCBC Telemoney (Italy), RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines.

Explanatory Notes:

(a) Operational only until March 1, 2016 and liquidated in 2024.
(b) A wholly-owned subsidiary of RCBC IFL.
(c) Wholly-owned subsidiaries of RCBC Capital.
(d) A wholly-owned subsidiary of RCBC LFC.
(e) In 2024, 19.41% ownership on RCBC JPL was donated and transferred to the Bank's retirement fund.
(f) In 2023, the Bank subscribed to 400 thousand shares equivalent to 40% of subscribed share capital of RTC (see Note 1.1).

1.3 Approval of Financial Statements

The consolidated financial statements of the Group and the separate financial statements of RCBC as of and for the year ended December 31, 2024 (including the comparative financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022) were approved and authorized for issue by the BOD of the Parent Company on February 24, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The accounting policies have been consistently applied to all the years presented, except when otherwise indicated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the separate financial statements of the Parent Company 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 Philippine Board of Accountancy.

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements.* The Group presents all items of income and expenses in two statements: a "statement of profit or loss" and a "statement of comprehensive income".

The Group 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 have a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.10). All amounts are in millions, except share and per share data or when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates. The financial statements of the Group's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Philippine Dealing System closing rates (PDSCR) at the end of reporting period for the statement of financial position accounts and at the average PDS rate for the period for the profit and loss accounts.

2.2 Adoption of Amended PFRS Accounting Standards

(a) Effective in 2024 that are Relevant to the Group and Parent Company

The Group 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
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flows, and Financial Instruments: Disclosures – Supplier Finance Arrangements

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 Group and Parent Company'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 Group and Parent Company's financial statements.

(iii) PFRS 16, *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 application of these amendments had no significant impact on the Group and Parent Company's financial statements.

(iv) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Group and Parent Company'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 below in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group and Parent Company's financial statements:

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

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

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

(iv) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)

2.3 Basis of Consolidation and Accounting for Investments in Subsidiaries and Associates in the Separate Financial Statements

The Parent Company's investments in subsidiaries are initially recognized at cost and subsequently accounted for in its separate financial statements using the equity method.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls. Accordingly, entities are deconsolidated from the date that control ceases.

Acquired subsidiaries are subject to either of the following relevant policies:

(i) *Purchase method* – is applicable if the business combination does not involve entities under common control. The method involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of a subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of a subsidiary prior to acquisition.

(ii) *Pooling of interest method* – is applicable for business combinations involving entities under common control. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their book values. Adjustments, if any, are recorded to achieve uniform accounting policies. The combining entities' results and financial positions are presented in the consolidated financial statements as if they had always been combined.

No goodwill or negative goodwill is recognized. Any difference between the cost of the investment and the subsidiary's identifiable net assets is recognized on consolidation in Capital Paid in Excess of Par account in equity.

Acquired investments in associates are subject to purchase method of accounting as described above. However, any goodwill that represents the excess of identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investments in associates.

The Group reassesses whether or not an entity qualifies as an associate in the occurrence of changes to facts and circumstances surrounding its ability to exert significant influence.

2.4 Financial Instruments

(a) Financial Assets

(i) Classification and Measurement of Financial Assets

The Group's financial assets include financial assets at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

Financial Assets at Amortized Cost

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

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial Assets at Fair Value Through Other Comprehensive Income

At initial recognition, the Group 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 Group for trading or a contingent consideration recognized arising from a business combination. The Group has made irrevocable designation of equity instruments not held for trading into this category.

Financial Assets at Fair Value Through Profit or Loss

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(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 FVTPL, or at FVOCI, is recognized using the effective interest rate method.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; 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 or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

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

(iii) Impairment of Financial Assets

The Group's expected credit loss (ECL) model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets and definition of default for purposes of determining ECL are further discussed in Note 4.4.

ECL is a function of the probability of default (PD), loss-given default (LGD), and exposure-at-default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are discussed more fully in Note 4.4.

The Group calculates ECL either on an individual or a collective basis. For consumer loans which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties. The Group calculates ECL for corporate loans, finance lease receivables, and investment securities at amortized cost on an individual basis.

The Group applies a simplified ECL approach for its accounts receivables and other risk assets wherein the Group uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Group's lending activities. For these instruments, the Group measures the loss allowance at an amount equal to lifetime ECL.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account. With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

For loan commitments, the loss allowance is recognized as provisions (presented and included as part of Other Liabilities account in the statement of financial position). Where a financial instrument includes a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Group presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(iv) Modification of Loans

When the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Group assesses whether or not the new terms are substantially different to the original terms of the instrument.

In making such assessment, the Group considers, among others:

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

If the terms are substantially different, the Group derecognizes the original 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 significant increase in credit risk (SICR) has occurred.

However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount between the old financial asset derecognized and the fair value of the new financial asset 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" financial 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 Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes the gain or loss arising from the modification in profit or loss.

The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(b) Financial Liabilities

Financial liabilities including deposit liabilities, bills payable, bonds payable, accrued interest and other expenses, and other liabilities (except derivatives with negative fair value, tax-related payables, post-employment defined benefit obligation and deferred income)

(c) Financial Guarantees and Undrawn Loan Commitments

The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statement of financial position.

(d) Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk. Derivatives held include foreign currency short-term forwards, interest rate swaps, cross currency swaps, debt warrants and options. Further details of derivative financial instruments are disclosed in Note 10.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to the fair value at each reporting date.

(e) Hedge Accounting

The Group has approved certain assets and liabilities as hedged items for interest rate risk exposures: fixed rate bonds, loans receivable and loans payable, floating rate bonds, loans receivable and loans payable, and fixed/floating rate highly probable bonds.

The Group also designates certain derivatives as hedging instruments in respect of interest rate risk in fair value hedges, or cash flow hedges, as appropriate. The Group applies PFRS 9 hedge accounting rules in full for these derivatives.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group uses both qualitative and quantitative assessment to determine whether there is an economic relationship between the hedged item and the hedging instrument. The conclusion that an economic relationship exists may be purely qualitative when the critical terms of the hedging instrument and the hedged item are matched. In cases when the critical terms are not aligned, it will be necessary to perform a quantitative assessment to establish that there is an economic relationship and that this source of ineffectiveness is not material. These assessments may be through critical matching, by identifying critical terms in both the hedged item or the derivative that may be a source of ineffectiveness, or regression analysis, when the critical terms of the hedging instrument and hedged item are not closely aligned, and there is increased uncertainty about the extent of offset, such that the hedge effectiveness is more difficult to predict.

The Group shall perform effectiveness assessment on an ongoing basis, whether a hedging relationship continue to meet the hedge effectiveness requirements. In measuring ineffectiveness, the Group constructs a hypothetical derivative that represents a hedge for the hedged risk of the hedged item, and assesses the impact of credit risk.

Hedge ineffectiveness can arise from the following:

- counterparties' credit risk differently affecting the fair value movements of the hedging instrument and hedged item; and
- Any subsequent changes in the contractual terms of the hedged item or hedging instrument may create potential source of ineffectiveness.

The results of the effectiveness assessment shall determine whether the hedge needs to be rebalanced or discontinued. Discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognized in OCI. The Group has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at FVOCI. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortized cost or at FVOCI) arising from the hedged risk is amortized to profit or loss commencing no later than the date when hedge accounting is discontinued.

Note 4.3 sets out the details of the fair values of the derivative instruments used for hedging purposes.

2.5 Bank Premises, Furniture, Fixtures and Equipment

All bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follows:

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

Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements of 1 to 12 years, whichever is shorter.

2.6 Investment Properties

Investment properties pertain to buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment, which are either held by the Group for sale in the next 12 months or being used in the rendering of services or for administrative purposes, or held for rental. In 2024, the Bank ceased to acquire investment properties through dacion in payment, as a result of the change in capital structure of the Bank.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.11).

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Investment properties, except land, are depreciated on a straight-line basis over a period of 10 years.

2.7 Intangible Assets

Intangible assets include goodwill, branch licenses, trading right, and computer software licenses which are accounted for under cost model and are reported under Other Resources account in the statement of financial position.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition (see Note 2.3).

Branch licenses represent the rights given by the BSP to the Group to establish a certain number of branches in various areas in the country.

Goodwill and branch licenses are classified as intangible assets with indefinite useful life and, thus, not subject to amortization but are tested annually for impairment (see Note 2.11). After initial recognition, goodwill and branch licenses are subsequently carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Trading right, included as part of Miscellaneous under Other Resources account, represents the right given to RSI, a subsidiary engaged in stock brokerage, to preserve its access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in value (see Note 2.11).

Acquired computer software licenses are amortized on a straight line basis over the expected useful lives of the software of three to 10 years.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding 10 years).

2.8 Other Income and Expense Recognition

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all its revenue arrangements except for certain brokerage transactions.

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

(a) *Service fees and Commissions*

The following service fees and commissions are recognized as follows:

(i) *Commissions and fees* – these income arising from loans, deposits, and other banking and brokerage transactions are recognized as income based on agreed terms and conditions with customers, which are generally when the services have been performed.

(ii) *Annual membership fees* – pertain to annual fees charged to credit cardholders. Revenues from membership fees are recognized over time from the date of renewal of the credit card until the validity date covered by the said renewal, usually termed as the expiry date of the issued cards. The credit card's validity period is deemed to be the servicing period.

(iii) *Interchange fees, net of interchange costs* – are recognized as income upon presentation by member establishments of charges arising from RBSC and non-RBSC (associated with MasterCard, JCB, VISA and China UnionPay labels) credit card availments passing through the Point of Sale (POS) terminals of the Parent Company. These discounts are computed based on agreed rates and are deducted from the amounts remitted to member establishments. Interchange costs pertain to the other credit card companies' share in RBSC's merchant discounts whenever their issued credit cards transact in the Parent Company's POS terminals.

The Parent Company operates a rewards program related to its deposit, loan, and credit card operations, allowing cardholders to accumulate non-expiring loyalty points that can be redeemed for free products, including travel airmiles, shopping vouchers, gift certificates and rewards credits. These loyalty points create a separate performance obligation, as they provide a material right to the cardholder.

The rewards liability of the Parent Company represents the best estimate of the cost associated with the loyalty points earned that are expected to be redeemed by cardholders. Specifically, the Bank calculates the expected breakage which is the proportion of rewards that will not be redeemed by its customers, and recognizes the liability associated with its loyalty programs by accounting for this expected breakage. This model considers the historical data and trends in cardholder behavior, including the effects of short-term and long-term promotional campaigns, to establish the best estimate of the rewards liability expected to be settled in the future. This estimate assumes that the vast majority of all points earned will ultimately be redeemed.

Accordingly, the Parent Company allocates a portion of the interchange fee billed to participating merchants to the loyalty points granted to cardholders, based on their relative stand-alone selling price. A liability equivalent to the estimated loyalty points is recognized until these points are redeemed. Revenue is recognized upon actual redemption by the cardholder.

(iv) *Loan syndication fees* – are recognized as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

(v) *Underwriting and arrangers fees* – are fees arising from negotiating, or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized at the completion of the underlying transaction and where there are no further obligations to perform under the agreement.

(b) Trust Fees

These pertain to service fees earned in 2023 and prior years in reference to the net asset value of the funds managed and deducted from the customer's account balance on a monthly basis which are recognized over time as the asset management services are provided. These are also applicable for wealth management and asset custody services that are continuously provided over an extended period of time. No trust fees were earned in 2024 due to the spin-off of the trust operations from the Parent Company into RTC (see Note 1.1).

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

(a) Trading and Securities Gains (Losses)

These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

(b) Gain on Assets Sold

Gain on assets sold arise from the disposals of bank premises, furniture, fixtures and equipment, investment properties, real estate properties for sale, and assets held-for-sale. The Group recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Gain on assets sold are included as part of Other Operating Income account in the statement of profit or loss.

(c) Dividend Income

Dividend income is recognized when the Group and Parent Company's right to receive payment is established.

(d) Recoveries from Assets Written Off

These are income recognized from the increase in carrying amount of assets previously written off. The amount of reversal does not exceed the amount of impairment loss previously recognized for the related asset.

Collections from accounts, which did not qualify for revenue recognition are treated as customers' deposit included as part of Accounts payable under Other Liabilities account in the statement of financial position.

2.9 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

(b) Group as Lessor

The Group applies judgment in determining whether a lease contract is a finance or operating lease (see Note 3.1).

(c) Sale and Leaseback Transaction

As a seller-lessee, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

2.10 Foreign Currency Transactions and Translations

Except for the foreign subsidiaries and accounts of the Parent Company's FCDU, the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Resources and liabilities denominated in U.S. dollars are translated to Philippine pesos at the prevailing PDSCR at the end of the reporting period.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the prevailing PDSCR at the end of each reporting period (for resources and liabilities) and at the weighted average PDSCR for the period (for income and expenses). Any foreign exchange difference is recognized in profit or loss.

The translation of the financial statements into Philippine peso should not be construed as a representation that the amounts stated in currencies other than the Philippine peso could be converted in Philippine peso amounts at the translation rates or at any other rates of exchange.

2.11 Impairment of Non-financial Assets

Investments in subsidiaries and associates, bank premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, and other resources (including intangible assets and assets held for sale and disposal group) and other non-financial assets are subject to impairment testing.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level. Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading right) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

All assets, except for intangible assets with indefinite useful life, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

2.12 Employee Benefits

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group and Parent Company'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 vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group and Parent Company'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 Group uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. The allowance for impairment is based on the ECL 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.

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

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

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

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

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

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 Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with the HTC business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

There is no disposal of HTC investments in 2024 and 2023.

The Parent Company is currently performing an evaluation of its business models for HTC and FVOCI investments as a result of internal changes on how it manages these financial assets. Such changes are determined by senior management as significant to the Parent Company's operations wherein it implemented adjustments to its portfolio strategies in light of the revised long-term outlook following the pandemic and other global developments. Revisions in the business models may result in reclassifications in the categories of portfolio investments to be effected only at the beginning of the next reporting period following the change in business model. As of December 31, 2024, the Parent Company is yet to complete its assessment.

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

In determining the classification of financial assets, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(d) Determination of Timing of Satisfaction of Performance Obligation

The Group determines that its revenue shall be recognized at a point in time for loan syndication and underwriting fees and commission. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The services provided by the Group would need substantial reperformance from other entities. This demonstrates that the customers do not simultaneously receive and consume the benefits provided by the Group.

For the revenues from services related to credit card membership and account management, the Group determines that its revenues shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided to the customers. As the work is performed, the Group becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of these services as it performs.

(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, branches, and equipment, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract.

The Group did not include renewal options as part of the lease term as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised or the Group 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 Group.

(f) Distinction Between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production, supply process, and in the Group's banking operation.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

(g) *Determination of the Classification of Assets/Liabilities under Assets Held-for-Sale and Disposal Group*

The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In determining whether reclassification is in order, the asset (or disposal group) must be available for immediate sale in its present condition subject to usual terms and the same must be highly probable, evidenced by a commitment to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except if a delay will be caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

(h) *Distinction Between Operating and Finance Leases where the Group is the Lessor*

The Group has entered into various lease agreements as a lessor. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities (see Note 2.9).

In determining whether the lease arrangements of the Parent Company and RCBC LFC qualify as a finance lease, the following factors have been considered:

(i) the lease provides the lessee an option to purchase the asset; or,

(ii) the lease transfers ownership of the property at the end of the lease and the related lease terms approximate the estimate useful life of the asset being leased.

(i) *Classification and Determination of Fair Value of Acquired Properties*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets held-for-sale and disposal group presented under Other Resources account if the Group expects that the assets will be sold within one year from the date of recognition, or as Investment Properties if held for rental or for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets. At initial recognition, the Group determines the fair value of acquired properties through internal and external appraisal depending on the Group's threshold policy. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property.

The Group's methodology in determining the fair value of Investment Properties are further discussed in Note 7.4.

(j) *Assessment of Significant Influence on HCPI in which the Group and the Parent Company Holds Less than 20% Ownership*

The management considers that the Group and the Parent Company have significant influence on HCPI even though it holds less than 20% of the outstanding ordinary shares of the latter. In making this judgment, management considered the Group's and the Parent Company's agreement with another stockholder of HCPI to commit and undertake to vote, and to regulate the conduct of voting and the relationship between them with respect to their exercise of their voting rights (see Note 12.1).

(k) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between 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.

Where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group and the Parent Company's legal cases and are based upon the analysis of probable results.

Although the Group does not believe that its on-going proceedings, as disclosed in Note 28, will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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 are described below and in the succeeding pages.

(a) Estimation of Expected Credit Loss on Financial Assets

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Group would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behavior of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses). The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- internal rating matrix which determines the PD to be assigned to a financial asset;
- criteria for assessing if there has been an SICR and when a financial asset will be transferred between the three stages;
- the Group's definition of default for different segments of credit exposures that considers the regulatory requirements;
- establishing groups of similar financial assets (i.e., segmentation) for the purposes of measuring ECL on a collective basis;
- establishment of LGD parameters based on historical recovery rates of claims against defaulted counterparties across different group of financial instruments; and,
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

The explanation of inputs, assumptions and estimation techniques used in measuring ECL and the analysis of the allowance for ECL on various groups of financial instruments is further discussed in Note 4.4.

(b) Fair Value Measurement for Financial Assets at FVTPL and at FVOCI

The Group carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income.
The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques such as net asset value method, or market-based approach (price-to-book value method) (see Note 7.2).

The carrying values of the Group's and the Parent Company's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Goodwill, Branch Licenses and Trading Right*

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Group's goodwill, branch licenses and trading right were regarded as having indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill, branch licenses and trading right are analyzed in Note 15. Based on management's assessment as of December 31, 2024 and 2023, there are no changes in the useful lives of these assets.

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

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant judgment is applied by management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Group's future taxable income together with its future tax planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2024 and 2023 are disclosed in Note 25.1.

(e) *Estimation of Impairment Losses of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.11.

The Group assesses impairment on these non-financial assets and considers the following important indicators:

- significant changes in asset usage;
- significant decline in assets' market value;
- obsolescence or physical damage of an asset;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and,
- significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Though management believes that the assumptions used in the estimation of fair values of non-financial assets 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.

(f) Determination of Fair Value of Investment Properties

The Group's investment properties are composed of buildings and condominium units which are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 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.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

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

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment.

(h) Recognition of Reward Points

The Group has a reward program related to its deposits, loans and credit card operations, which allows its cardholders to accumulate award credits or loyalty points that can be redeemed for free products.

The Group allocated a portion of the interchange fee billed to participating merchants to the loyalty points granted to cardholders based on relative stand-alone selling price and recognizes liability equivalent to the estimated loyalty points until these are redeemed.

(i) Valuation of Post-employment Defined Benefits

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

The amounts of post-employment benefit obligation and related income or expense, and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 23.2.

(j) Determination of Recoverable Amount of Assets Held-for-Sale

In determining the recoverable amount of assets the Group's assets held-for-sale, the estimated fair value less cost to sell are determined by an independent appraiser or internal appraiser based on current appraised values of the properties or similar properties in the same location and condition.

The amount of assets classified as held-for sale by the Group, its impairment and recovery are presented in Notes 15.1 and 16, respectively.

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

A committee system is a fundamental part of the Group's process of managing risk. The following five committees of the Parent Company's BOD are relevant in this context:

- The Executive Committee, which meets weekly, has the power to act and pass upon such matters as the BOD may entrust to it for action in between BOD meetings. It may also consider and approve loans and other credit related matters, investments, purchase of shares of stock, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for Group's capital adequacy and risk management strategy and actions covering credit, market and operational risks under Pillar I of the Basel framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the ROC.

- The Audit and Compliance Committee (ACC), which meets monthly, reviews the results of the Internal Audit examinations and recommends remedial actions to the BOD as appropriate. The ACC also performs oversight functions over the Regulatory Affairs Group on matters such as compliance risk assessment, annual testing work plan, compliance breaches, and other regulatory issues.

- The Related Party Transactions (RPT) Committee, which meets monthly and as necessary, reviews proposed material RPTs to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. On favorable review, the RPT Committee endorses material RPTs to the BOD for approval.

- The Anti-Money Laundering (AML) Board Committee, which meets monthly, oversees the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) and ensures that Money Laundering/Terrorist Financing risks are effectively managed. The AML Board Committee also ensures that infractions are immediately corrected, issues are addressed and AML training of directors, officers, and staff are regularly conducted.

Four senior management committees also provide a regular forum to take up risk issues.

- The Credit and Collection Committee (CRECOL), chaired by the Chief Executive Officer (CEO) and composed of the heads of credit risk-taking business units and the head of credit management group, meets weekly to review and approve credit exposures within its authority. It also reviews plans and progress on the resolution of problem loan accounts.

- The Asset/Liability Committee (ALCO), chaired by the Treasurer of the Parent Company and with the participation of the CEO and key business and support unit heads meets weekly to appraise market trends, and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk, and trading and investment portfolio decisions. It sets prices or rates for various asset and liability, and trading products, in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, it provides guidance on the handling of the relevant risk exposure in between ROC meetings.

- The Related Party Transactions Management Committee (RPT ManCom), composed of the Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed non-material RPTs or those that do not require Board approval to ensure that the said RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT ManCom approves the non-material RPT and submits the same to the BOD for confirmation.

- The Anti-Money Laundering Management Committee (AML ManCom), which meets weekly, evaluates the unusual/suspicious transaction reported by the different bank units, RCBC Business Centers, alerts that are generated by the Bank's Screening System (Accuity), Transaction Monitoring System (Predator) and other referrals from relevant Regulators to determine the filing of Suspicious Transaction Reports (STRs) to the Anti-Money Laundering Council (AMLC).

  The AML ManCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Risk Management Group or their duly appointed designates, as members, and Investigators from the Compliance Operations Division (COD) as the Rapporteur. The AML Monitoring and Reporting Division (AMRD), through the Chief Compliance Officer, reports to the AML Board Committee its monthly activities including the results of the AML ManCom meetings.

The Parent Company established a Risk Management Group (RMG), headed by the Chief Risk Officer, to ensure that consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the group-wide risk profile.

In addition to established risk management systems and controls, the Group holds capital commensurate with the levels of risk it undertakes (see Note 5), in accordance with regulatory capital standards and internal benchmarks set by the Parent Company's BOD.

4.1 Group's Strategy in Using Financial Instruments

It is the Group's intent to generate returns mainly from the traditional financial intermediation and service-provision activities, augmented by returns from positions based on views on the financial markets. The main source of risk, therefore, remains to be that arising from credit risk exposures. Nevertheless, within BSP regulatory constraints, and subject to limits and parameters established by the BOD and/or the ROC, the Group is exposed to liquidity risk and interest rate risk inherent in the Group's operations, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, such as fixed-income securities. While, in doing so, the Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure.

The Group's investment portfolio is composed mainly of marketable, sovereign and corporate debt instruments.

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while credit-linked notes and bond options were approved under the Limited User Authority (Type 3). In February 2012, bond forwards, non-deliverable swaps and foreign exchange options have been included under the same Type 3 license. In June 2013, the Parent Company was granted a Type 2 license non-deliverable swaps, foreign currency options, bond and interest rate options, and asset swaps. During the same period, additional Type 3 licenses for foreign exchange-option and bond-option linked notes were likewise approved. The Parent Company's derivatives portfolio consists mostly of short-term currency forward contracts and swaps, and interest rate swaps and futures.

In relation to the adoption of hedge accounting in accordance with PFRS 9, the Bank maintains an overall risk management strategy that incorporates the use of derivative instruments to reduce certain risks related to interest rate. By hedging interest rate risk exposures, the Group manages the impact of interest rate movements on interest accruals and by extension, capital. The ability to manage interest rate risk through hedging gives the Group more flexibility in its choice of funding sources, in providing competitive pricing and in managing the balance sheet. Interest rate exposures are identified and hedged on an instrument-by-instrument basis. Hedging transactions are evaluated and executed by the Treasury Group within the boundaries set by interest rate risk limits and hedging product limits. Hedging decisions may also be initiated by the appropriate senior management committees.

In 2024, the Group hedges the benchmark interest rate risk component of the bonds payable which is an observable and reliably measurable component of interest rate risk. Specifically, the Group has designated fair value hedge relationships to hedge against the movements in a benchmark rate. The Group applied hedge accounting for economic hedge relationships that meet the hedge accounting criteria (see Note 2.4).

4.2 Liquidity Risk

Liquidity risk refers to current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. The Group manages liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in its activities, and identifies, measures, monitors and controls the liquidity risk inherent to the members of the Group which are financial intermediaries.

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity. The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses resources and liability maturity gap analysis.

The Group uses Maximum Cumulative Outflow (MCO) model to measure liquidity risk arising from mismatches of assets and liabilities. MCO is a liquidity gap tool to project cash flow expectations on a status quo condition. The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time buckets based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products.

The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

The Group monitors MCO regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO. The subsidiaries generate at least monthly their respective MCO reports. The liquidity profile of the Group is reported monthly to the Parent Company's ROC. To supplement the status quo scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and events to the Group's liquidity profile.

The gap analyses as of December 31, 2024 and 2023 are presented below and in the succeeding pages.

	Group					
	2024					
(Amounts in PHP)	**One to three Months**	**Three months to one year**	**One to Five Years**	**More than five years**	**Non-maturity**	**Total**
Resources:						
Cash and cash equivalents	117,757	742	1,855	15,474	49,541	185,369
Investments - net	110,320	12,674	122,724	181,941	1,427	429,086
Loans and receivables - net	39,475	31,072	185,464	170,919	283,000	709,930
Other resources - net	8,225	6,894	1,675	820	18,154	35,768
Total resources	275,777	51,382	311,718	369,154	352,122	1,360,153
Liabilities:						
Deposit liabilities	224,180	15,023	30,570	289,649	463,372	1,022,794
Bills payable	57,801	9,073	17,022	648	2,072	86,616
Bonds payable	-	-	26,935	-	-	26,935
Other liabilities	12,850	38,798	1,093	-	12,576	65,317
Total liabilities	294,831	62,894	75,620	290,297	478,020	1,201,662
Equity	-	14,463	-	-	144,028	158,491
Total liabilities and equity	294,831	77,357	75,620	290,297	622,048	1,360,153
On-book gap	(19,054)	(25,975)	236,098	78,857	(269,926)	-
Cumulative on-book gap	(19,054)	(45,029)	191,069	269,926	-	-
Contingent resources	59,188	12,687	-	28,995	-	100,870
Contingent liabilities	85,349	12,944	-	29,478	-	127,771
Off-book gap	(26,161)	(257)	-	(483)	-	(26,901)
Cumulative off-book gap	(26,161)	(26,418)	(26,418)	(26,901)	(26,901)	-
Periodic gap	**(45,215)**	**(26,232)**	**236,098**	**78,374**	**(269,926)**	**26,901**
Cumulative total gap	**(45,215)**	**(71,447)**	**164,651**	**243,025**	**(26,901)**	**-**

(Amounts in PHP)	Group 2023					
	One to three Months	Three months to one year	One to Five Years	More than five years	Non-maturity	Total
Resources:						
Cash and cash equivalents	190,847	1,502	1,727	1	56,031	250,108
Investments - net	9,989	3,818	112,095	201,914	2,926	330,742
Loans and receivables - net	38,995	29,486	153,155	151,395	249,118	622,149
Other resources - net	7,716	6,507	1,100	1,354	18,656	35,333
Total resources	247,547	41,313	268,077	354,664	326,731	1,238,332
Liabilities:						
Deposit liabilities	184,137	15,725	22,859	7	733,984	956,712
Bills payable	42,698	2,293	4,349	396	1,122	50,858
Bonds payable	-	30,809	4,130	-	-	34,939
Other liabilities	12,833	16,507	297	411	13,500	43,548
Total liabilities	239,668	65,334	31,635	814	748,606	1,086,057
Equity	-	-	-	-	152,275	152,275
Total liabilities and equity	239,668	65,334	31,635	814	900,881	1,238,332
On-book gap	7,879	(24,021)	236,442	353,850	(574,150)	-
Cumulative on-book gap	7,879	(16,142)	220,300	574,150	-	-
Contingent resources	53,274	6,091	-	-	-	59,365
Contingent liabilities	71,752	6,140	-	-	-	77,892
Off-book gap	(18,478)	(49)	-	-	-	18,527
Cumulative off-book gap	(18,478)	(18,527)	(18,527)	(18,527)	(18,527)	-
Periodic gap	(10,599)	(24,070)	236,442	353,850	(574,150)	18,527
Cumulative total gap	(10,599)	(34,669)	201,773	555,623	(18,527)	-

(Amounts in PHP)	One to three Months	Three months to one year	One to Five Years	More than five years	Non-maturity	Total
	Parent Company					
	2024					
Resources:						
Cash and cash equivalents	116,255	204	1,370	15,474	49,367	182,670
Investments - net	108,777	12,674	122,724	181,941	750	426,866
Loans and receivables - net	38,817	30,513	180,789	170,898	282,947	703,964
Other resources - net	8,115	6,893	1,675	820	22,149	39,652
Total resources	271,964	50,284	306,558	369,133	355,213	1,353,152
Liabilities:						
Deposit liabilities	223,743	14,814	30,569	290,110	463,501	1,022,737
Bills payable	57,435	7,977	14,870	646	-	80,928
Bonds payable	-	-	26,935	-	-	26,935
Other liabilities	12,612	38,770	1,093	-	11,595	64,070
Total liabilities	293,790	61,561	73,467	290,756	475,096	1,194,670
Equity	-	14,463	-	-	144,019	158,482
Total liabilities and equity	293,790	76,024	73,467	290,756	619,115	1,353,152
On-book gap	(21,826)	(25,740)	233,091	78,377	(263,902)	-
Cumulative on-book gap	(21,826)	(47,566)	185,525	263,902	-	-
Contingent resources	59,180	12,687	-	28,995	-	100,862
Contingent liabilities	85,345	12,944	-	29,478	-	127,767
Off-book gap	(26,165)	(257)	-	(483)	-	(26,905)
Cumulative off-book gap	(26,165)	(26,422)	(26,422)	(26,905)	(26,905)	-
Periodic gap	**(47,991)**	**(25,997)**	**233,091**	**77,894**	**(263,902)**	**26,905**
Cumulative total gap	**(47,991)**	**(73,988)**	**159,103**	**236,997**	**(26,905)**	-

	Parent Company					
	2023					
(Amounts in PHP)	One to three Months	Three months to one year	One to Five Years	More than five years	Non-maturity	Total
Resources:						
Cash and cash equivalents	170,128	20,756	1,118	1	55,938	247,941
Investments - net	10,134	408	112,095	203,726	2,080	328,443
Loans and receivables - net	38,525	28,726	148,270	151,286	249,094	615,901
Other resources - net	7,630	6,350	1,100	1,499	22,026	38,605
Total resources	226,417	56,240	262,583	356,512	329,138	1,230,890
Liabilities:						
Deposit liabilities	183,600	15,579	22,856	8	735,326	957,369
Bills payable	42,314	-	1,247	396	-	43,957
Bonds payable	-	30,809	4,130	-	-	34,939
Other liabilities	11,853	16,483	297	1,275	12,451	42,359
Total liabilities	237,767	62,871	28,530	1,679	747,777	1,078,624
Equity	-	-	-	-	152,266	152,266
Total liabilities and equity	237,767	62,871	28,530	1,679	900,043	1,230,890
On-book gap	(11,350)	(6,631)	234,053	354,833	(570,905)	-
Cumulative on-book gap	(11,350)	(17,981)	216,072	570,905	-	-
Contingent resources	53,269	6,091	-	-	-	59,360
Contingent liabilities	71,752	6,140	-	-	-	77,892
Off-book gap	(18,483)	(49)	-	-	-	(18,532)
Cumulative off-book gap	(18,483)	(18,532)	(18,532)	(18,532)	(18,532)	-
Periodic gap	(29,833)	(6,680)	234,053	354,833	(570,905)	18,532
Cumulative total gap	(29,833)	(36,513)	197,540	552,373	(18,532)	-

Pursuant to applicable BSP regulations, the Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Group's demand deposit accounts with the BSP. The BSP also requires the Parent Company to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.2.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Group maintains significant exposure. Specifically, the Group ensures that its measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses its access to foreign exchange markets when setting up its risk limits.

Following MORB Section 130 and Appendices 94, 95, and 96 on ICAAP, the Group likewise calculates and maintains a level of capital needed to support unexpected losses attributable to liquidity risk (see Note 5.2).

4.2.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Group are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in MORB Section 145 and Appendix 71: *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the adverse movement of market interest rates and foreign exchange rates, as well as the potential loss of market value, primarily of its holdings of foreign exchange currencies, debt securities and derivatives.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.

- Dollar Value of 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movements of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book resources and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level. The Bank employs appropriate back-testing methodology to perform a "reality check" on the models used. More specifically, the current back-test procedure employs the "hypothetical P&L" method where the daily position from which the VaR was computed is marked-to-market using the closing price of that day and the closing price of the next trading day. Any change in value in excess of the day's VaR is treated as an exception.

The Parent Company uses VaR as an important tool for measuring market risk, they are cognizant of its limitations, notably the following:

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

- VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.

- The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.

- VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.

- In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.

- VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

In addition to the limits corresponding to the above measurements, the following are also in place:

- Loss Limit – represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a Management Action Trigger (MAT) is also usually defined to be at 50% of the Loss Limit. When MAT is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.

- Product Limit – the nominal position exposure for certain specific financial instruments is established.

Stress Testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at "worst case" loss estimates. This supplements the VaR measure, in recognition of its limitations mentioned above.

A summary of the VaR position of the trading portfolios at December 31 is as follows:

	Group and Parent Company			
	At December 31	**Average**	**Maximum**	**Minimum**
(Amounts in PHP)				
2024				
Foreign currency risk	61	86	167	22
Interest rate risk	443	595	754	405
Overall	**504**	**681**	**921**	**427**
2023				
Foreign currency risk	45	77	215	14
Interest rate risk	417	398	640	289
Overall	462	475	855	303

	Group and Parent Company			
	At December 31	Average	Maximum	Minimum
2022				
Foreign currency risk	54	56	106	27
Interest rate risk	639	435	639	376
Overall	693	491	745	403

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

The following table sets forth the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity of the Group and Parent Company:

	2024			2023		
	Change in currency rate in %	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity
(Amounts in PHP)						
Currency:						
USD	**+1.00%**	**2**	**2**	+1.00%	(P 4)	(P 4)
	-1.00%	**(2)**	**(2)**	-1.00%	4	4
EUR	**+1.00%**	**(9)**	**(9)**	+1.00%	(4)	(4)
	-1.00%	**9**	**9**	-1.00%	4	4
GBP	**+1.00%**	**-**	**-**	+1.00%	2	2
	-1.00%	**-**	**-**	-1.00%	(2)	(2)
Others	**+1.00%**	**(14)**	**(14)**	+1.00%	7	7
	-1.00%	**14**	**14**	-1.00%	(7)	(7)

Closing exchange rates and weighted average rates (WAR) of USD to Philippine peso as of and for each of the year ended December 31 are as follows:

	2024	2023	2022
(Amounts in PHP)			
Closing	**57.85**	55.37	55.76
WAR	**58.31**	55.51	55.58

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	Foreign Currencies	**Philippine Pesos**	**Total**
(Amounts in PHP)			
2024			
Resources:			
Cash and other cash items	1,155	21,848	23,003
Due from BSP	-	115,230	115,230
Due from other banks	13,563	1,006	14,569
Financial assets at FVTPL	10,010	224	10,234
Financial assets at FVOCI	61,704	96,926	158,630
Investment securities at amortized cost - net	97,506	162,716	260,222
Loans and receivables - net	97,981	644,516	742,497
Other resources - net	41	1,647	1,688
	281,960	**1,044,113**	**1,326,073**
Liabilities:			
Deposit liabilities	189,457	833,337	1,022,794
Bills payable	80,928	5,688	86,616
Bonds payable	16,053	10,882	26,935
Accrued interest and other expenses	29	10,337	10,366
Other liabilities	1,610	48,702	50,312
	288,077	**908,946**	**1,197,023**
2023			
Resources:			
Cash and other cash items	1,146	18,729	19,875
Due from BSP	-	151,762	151,762
Due from other banks	13,836	1,056	14,892
Loans arising from reverse repurchase agreements	-	35,799	35,799
Financial assets at FVTPL	3,788	7,990	11,778
Financial assets at FVOCI	17,582	64,855	82,437
Investment securities at amortized cost - net	87,444	149,083	236,527
Loans and receivables - net	85,639	564,290	649,929
Other resources - net	40	1,419	1,459
	209,475	994,983	1,204,458
Liabilities:			
Deposit liabilities	189,457	767,255	956,712
Bills payable	43,957	6,901	50,858
Bonds payable	16,053	18,886	34,939
Accrued interest and other expenses	29	10,716	10,745
Other liabilities	1,610	25,380	26,990
	251,106	829,138	1,080,244

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
(Amounts in PHP)			
2024			
Resources:			
Cash and other cash items	1,155	21,752	22,907
Due from BSP	-	112,763	112,763
Due from other banks	13,548	885	14,433
Financial assets at FVTPL	5,012	4,513	9,525
Financial assets at FVOCI	61,701	96,253	157,954
Investment securities at amortized cost - net	97,506	161,881	259,387
Loans and receivables - net	97,981	638,550	736,531
Other resources - net	41	1,628	1,669
	276,944	**1,038,225**	**1,315,169**
Liabilities:			
Deposit liabilities	189,457	833,280	1,022,737
Bills payable	80,928	-	80,928
Bonds payable	16,053	10,882	26,935
Accrued interest and other expenses	29	11,283	11,312
Other liabilities	1,610	47,827	49,437
	288,077	**903,272**	**1,191,349**
2023			
Resources:			
Cash and other cash items	1,146	18,666	19,812
Due from BSP	-	150,771	150,771
Due from other banks	13,819	811	14,630
Loans arising from reverse repurchase agreements	-	34,948	34,948
Financial assets at FVTPL	3,788	7,166	10,954
Financial assets at FVOCI	17,576	64,181	81,757
Investment securities at amortized cost - net	87,444	148,288	235,732
Loans and receivables - net	85,639	558,042	643,681
Other resources - net	40	1,417	1,457
	209,452	984,290	1,193,742
Liabilities:			
Deposit liabilities	189,457	767,912	957,369
Bills payable	43,957	-	43,957
Bonds payable	16,053	18,886	34,939
Accrued interest and other expenses	29	10,446	10,475
Other liabilities	1,610	24,608	26,218
	251,106	821,852	1,072,958

4.3.2 Interest Rate Risk in the Banking Book (IRRBB)

The interest rate risk inherent in the Group's financial statements arises from re-pricing mismatches between financial assets and financial liabilities. The IRRBB Management Framework details the Group's policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

To aid the Group in managing IRRBB, the following measurement techniques are used. These are prepared and reported to ALCO and ROC, on a monthly basis.

Technique	Description
Interest Rate Gap or Re-pricing Gap	*Contractual Gap* Measures the sensitivity of assets, liabilities and off-balance sheet items towards changes in the market interest rates based on the re-pricing frequency of each item. *Behavioral Gap* Behavioral assumption (BeA) is applied to the contractual cash flows to reflect sensitivity to market conditions or behavioral characteristics (i.e., early redemption of deposits, prepayment of loans, etc.).
Earnings Approach Net Interest Income at Risk	Measures the sensitivity of earnings to market interest rates movements over a short- and medium-term horizon. Interest rate volatility is based on the maximum volatility of the 1-mo, 3-mo, 6-mo and 1-yr tenors over a 260-day look back.
Economic Value Approach Earnings-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting Net Interest Income (NII)-at-Risk and fair value through profit and loss portfolio value-at-risk (FVTPL VaR).
Capital-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting EaR and fair value through other comprehensive income value-at-risk (FVOCI VaR).
Economic Value of Equity (EVE)	Measures the sensitivity of economic value of all non-trading book assets, liabilities and interest rate sensitive off-balance sheet products to interest rate movements over a longer time horizon.
Stress Test	Assesses the ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant loses. Stress testing, which includes both scenario and sensitivity analysis, is an integral part of IRR management. Scenario analysis estimates possible outcomes given an event or series of events, while sensitivity analysis estimates the impact of change in one or only a few of model's significant parameters. *Earnings approach*: NII-at-Risk Stress Test assumes gradual increase in Peso and USD interest rates to 400bps and 300bps, respectively. These are based on past local and global market events. *Economic Value approach*: The EVE Stress Test uses Basel's six interest rate scenarios to capture parallel and non-parallel gap risks. The standardized scenarios are as follows: 1) parallel shock up; 2) parallel shock down; 3) steepener shock (short rates down and long rates up); 4) flattener shock (short rates up and long rates down; 5) short rates shock up; and, 6) short rates shock down.

The interest rate gap analyses of financial assets and financial liabilities as of end of the reporting period based on re-pricing maturities are shown in the succeeding pages. It should be noted that such interest rate gap analyses are based on the following key assumptions:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans (NPL), however, are not re-priced;
- Debt securities at amortized cost are bucketed based on their re-pricing profile;
- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,
- For financial assets and financial liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

These assumptions are reviewed on a regular basis. Similarly, other assumptions and behavioral models used in the preparation of other IRRBB metrics are also being reviewed, annually, at the minimum.

	Group					
	2024					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-rate Sensitive**	**Total**
(Amounts in PHP)						
Resources:						
Cash and cash equivalents	132,755	1,279	16,080	12,174	23,081	185,369
Investments - net	100,739	12,129	124,105	181,688	10,425	429,086
Loans and receivables - net	259,297	60,125	152,442	100,835	137,231	709,930
Other resources - net	8,225	1,231	1,842	887	23,583	35,768
Total resources	501,016	74,764	294,469	295,584	194,320	1,360,153
Liabilities:						
Deposit liabilities	498,020	33,608	259,331	231,537	298	1,022,794
Bills payable	72,671	9,073	2,152	648	2,072	86,616
Bonds payable	-	-	26,935	-	-	26,935
Other liabilities	598	256	841	2	63,620	65,317
Total liabilities	571,289	42,937	289,259	232,187	65,990	1,201,662
Equity	-	14,463	-	-	144,028	158,491
Total liabilities and equity	571,289	57,400	289,259	232,187	210,018	1,360,153
On-book gap	(70,273)	17,364	5,210	63,397	(15,698)	-
Cumulative on-book gap	(70,273)	(52,909)	(47,699)	15,698	-	-
Contingent resources	59,188	12,687	-	28,995	-	100,870
Contingent liabilities	85,349	12,944	-	29,478	-	127,771
Off-book gap	(26,161)	(257)	-	(483)	-	(26,901)
Cumulative off-book gap	(26,161)	(26,418)	(26,418)	(26,901)	(26,901)	-
Periodic gap	**(96,434)**	**17,107**	**5,210**	**62,914**	**(15,698)**	**26,901**
Cumulative total gap	**(96,434)**	**(79,327)**	**(74,117)**	**(11,203)**	**(26,901)**	-

(Amounts in PHP)	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
	Group					
	2023					
Resources:						
Cash and cash equivalents	166,452	2,103	29,153	32,376	20,024	250,108
Investments - net	1,822	3,286	69,910	243,158	12,566	330,742
Loans and receivables - net	391,011	58,068	132,177	5,557	35,336	622,149
Other resources - net	7,772	988	1,113	1,693	23,767	35,333
Total resources	567,057	64,445	232,353	282,784	91,693	1,238,332
Liabilities:						
Deposit liabilities	458,990	44,396	237,728	215,292	306	956,712
Bills payable	42,698	2,293	4,349	396	1,122	50,858
Bonds payable	-	30,809	4,130	-	-	34,939
Other liabilities	55	223	44	1,574	41,652	43,548
Total liabilities	501,743	77,721	246,251	217,262	43,080	1,086,057
Equity	-	-	-	-	152,275	152,275
Total liabilities and equity	501,743	77,721	246,251	217,262	195,355	1,238,332
On-book gap	65,314	(13,276)	(13,898)	65,522	(103,662)	-
Cumulative on-book gap	65,314	52,038	38,140	103,662	-	-
Contingent resources	53,274	6,091	-	-	-	59,365
Contingent liabilities	71,752	6,140	-	-	-	77,892
Off-book gap	(18,478)	(49)	-	-	-	(18,527)
Cumulative off-book gap	(18,478)	(18,527)	(18,527)	(18,527)	(18,527)	-
Periodic gap	46,836	(13,325)	(13,898)	65,522	(103,662)	18,527
Cumulative total gap	46,836	33,511	19,613	85,135	(18,527)	-

	Parent Company					
	2024					
(Amounts in PHP)	**One to Three Months**	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-rate Sensitive**	**Total**
Resources:						
Cash and cash equivalents	131,253	740	15,595	12,174	22,908	182,670
Investments - net	99,196	12,129	124,105	181,688	9,748	426,866
Loans and receivables - net	258,639	59,566	147,768	100,814	137,177	703,964
Other resources - net	8,115	1,231	1,842	887	27,577	39,652
Total resources	497,203	73,666	289,310	295,563	197,410	1,353,152
Liabilities:						
Deposit liabilities	497,583	33,400	259,961	231,793	-	1,022,737
Bills payable	72,305	7,977	-	646	-	80,928
Bonds payable	-	-	26,935	-	-	26,935
Other liabilities	-	229	841	2	62,998	64,070
Total liabilities	569,888	41,606	287,737	232,441	62,998	1,194,670
Equity	-	14,463	-	-	144,019	158,482
Total liabilities and equity	569,888	56,069	287,737	232,441	207,017	1,353,152
On-book gap	(72,685)	17,597	1,573	63,122	(9,607)	-
Cumulative on-book gap	(72,685)	(55,088)	(53,515)	9,607	-	-
Contingent resources	59,180	12,687	-	28,995	-	100,862
Contingent liabilities	85,345	12,944	-	29,478	-	127,767
Off-book gap	(26,165)	(257)	-	(483)	-	(26,905)
Cumulative off-book gap	(26,165)	(26,422)	(26,422)	(26,905)	(26,905)	-
Periodic gap	**(98,850)**	**17,340**	**1,573**	**62,639**	**(9,607)**	**26,905**
Cumulative total gap	**(98,850)**	**(81,510)**	**(79,937)**	**(17,298)**	**(26,905)**	-

	Parent Company					
	2023					
(Amounts in PHP)	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	126,153	1,547	28,545	71,884	19,812	247,941
Investments - net	282	3,286	112,230	195,089	17,556	328,443
Loans and receivables - net	425,330	57,308	98,344	5,538	29,381	615,901
Other resources - net	15,137	988	1,061	115	21,304	38,605
Total resources	566,902	63,129	240,180	272,626	88,053	1,230,890
Liabilities:						
Deposit liabilities	458,452	44,250	238,758	215,909	-	957,369
Bills payable	42,314	-	1,247	396	-	43,957
Bonds payable	-	30,809	4,130	-	-	34,939
Other liabilities	-	199	44	1,273	40,843	42,359
Total liabilities	500,766	75,258	244,179	217,578	40,843	1,078,624
Equity	-	-	-	-	152,266	152,266
Total liabilities and equity	500,766	75,258	244,179	217,578	193,109	1,230,890
On-book gap	66,136	(12,129)	(3,999)	55,048	(105,056)	-
Cumulative on-book gap	66,136	54,007	50,008	105,056	-	-
Contingent resources	53,269	6,091	-	-	-	59,360
Contingent liabilities	71,752	6,140	-	-	-	77,892
Off-book gap	(18,483)	(49)	-	-	-	(18,532)
Cumulative off-book gap	(18,483)	(18,532)	(18,532)	(18,532)	(18,532)	-
Periodic gap	47,653	(12,178)	(3,999)	55,048	(105,056)	(18,532)
Cumulative total gap	47,653	35,475	31,476	86,524	(18,532)	-

The table below summarizes the potential impact on the Group and the Parent Company's annual interest income of parallel rate shifts using the re-pricing.

	Changes in Interest Rates (in basis points)			
(Amounts in PHP)	**-100**	**-200**	**+100**	**+200**
December 31, 2024				
Group	**493**	**986**	**(493)**	**(986)**
Parent Company	**518**	**1,037**	**(518)**	**(1,037)**
December 31, 2023				
Group	(517)	(1,033)	517	1,033
Parent Company	(529)	(1,058)	529	1,058

In 2024, the Group also entered into interest rate swap contracts which are accounted for under hedge accounting, under which the Group agreed to exchange the difference between fixed and floating rate interest amounts calculated on contracted notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt issued. The fair value of interest rate swaps as at December 31, 2024 is determined by discounting the future cash flows using the interest rate curves at the reporting date adjusted for the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the financial year (see Note 10.6).

The interest rate swaps settle on a quarterly basis and the floating rate on the interest rate swaps is based on SOFR. The pay fixed interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates on the Group's fixed rate bonds. In 2024, the derivatives were highly effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the hedged bonds were adjusted by P204, which was included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVTPL or financial assets at FVOCI (under Trading and Investment Securities account) as of December 31, 2024 and 2023 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI estimate the potential loss and determine the market and position risk requirement on equity securities at FVTPL in the computation of the market and position risk requirement for all equity positions.

RCBC Capital uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. RCBC Capital uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Enterprise Risk Division of RMG assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. The Credit Management Group (CMG), on the other hand, is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits that is effectively exercised collectively; (b) business center (BC) managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter or co-terminus with the renewal of the credit line. In addition, adverse economic and market conditions that may impact a certain borrower or a group of borrowers may trigger the Group to conduct a special credit review prior to expiry of credit line.

CMG also identifies homogenous target market and design Credit Programs that will accelerate credit processing of accounts without sacrificing underwriting quality, and, set up enhanced data framework that would deepen the Bank's ability to identify potential problem accounts earlier.

In 2023, the Bank engaged an independent consultant to conduct an independent validation and refresh of the Bank's ECL model parameters, assumptions, design, and calibration. As a result of this refresh, the Bank made the following adjustments to its model:

- accounts with 1 to 30 days past due (DPD) are classified as Stage 1 instead of Stage 2 (see Note 4.4.3);
- a 12-month performance window is observed to consider the probability of an account defaulting in the future (see Note 4.4.5);
- periods affected by the COVID-19 were excluded from the computation of default rates to exclude abnormally high default rates during the pandemic period considering the full recovery from the impact of COVID-19;
- a mean reversion approach was used for consumer loans to project the macroeconomic variables (MEVs) influencing the associated credit risk of the borrowers (Note 4.4.5); and
- the Vasicek equation was used to transform through-the-cycle PDs into point-in-time PDs (Note 4.4.5).

The updated ECL framework of the Bank was approved by ROC on January 19, 2024.

In 2024, the Bank made post model adjustments on the ECL models arising from the use of credit analytics and credit judgments, to consider the effects of the following:

- more granular level of segmentation of credit exposures for auto loans and credit cards based on customer segment, payment behavior, and credit score, among others;
- the respective collection behaviors on auto loan accounts and credit card receivables considering accounts that do not flow to further delinquencies, and accounts previously provided with 100% LGD but had subsequent recoveries; and
- account updates for specific corporate borrowers arising from regular credit monitoring activities

Post model adjustments made in estimating the reported ECL as at December 31, 2024 are set in the following table:

	Group and Parent Company		
	BAU Model	Post Model Overlays	Final ECL
(Amounts in PHP)			
Loans and discounts:			
Corporate	**11,083**	**(1,140)**	**9,943**
Consumer	**2,406**	**(209)**	**2,197**
Credit card receivables	**5,392**	**(963)**	**4,429**
	18,881	**(2,312)**	**16,569**

Based on the Bank's policy, a model validation shall be conducted when significant changes are made to the models, to ensure that the models are suitable for their proposed usage on an ongoing basis. The Bank plans to conduct another independent validation of its ECL models in the next reporting period.

4.4.1 Concentrations of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency. The Group monitors concentrations of credit risk by sector.

An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 33.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks as well as established concentration metrics. Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration. The Group supplements this methodology with the use of the Comprehensive Concentration Index (CCI) to monitor and analyze name concentration.

The Group, however, recognizes the inherent limitations of the use of HHI and CCI to assess credit concentration risk. To augment this measure and to appropriately manage said risk, the Group performs an in-depth analysis of its large borrowing groups. To ensure the independence of this process, the review and analysis are done during the ROC meetings.

4.4.2 Credit Risk Assessment

The Group's credit risk assessment is performed based on the different segments of financial asset portfolio such as (a) corporate, which generally include corporate banking group loans, commercial and small-medium size segment loans, lease contract and finance receivables, and unquoted debt securities classified as loan (UDSCL), (b) retail, which include housing, auto, credit cards, and microfinance lending; and, (c) treasury, which covers credit exposures on debt securities under the Group's HTC portfolio and financial assets at FVOCI. The Group also established credit risk assessment procedures for sales contract receivables and other risk assets including accounts receivables.

i. *Corporate Loans*

Loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. The Group's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions (or industry performance), expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, LGD, and EAD, for purposes of measuring ECL.

The Group uses its internal credit risk rating system (ICRRS) to determine any evidence of potential deterioration in the quality of an instrument that takes into consideration both quantitative and qualitative criteria. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings lower than CCC demonstrating weakness in the counterparty's economic and financial condition that could lead to payment default on financial commitments.

Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks and under the BSP Circular No. 1011, i.e., Especially Mentioned, Substandard, Doubtful or Loss. These guidelines are used by the Group to assign the individually assessed loan or a group of loans within a particular portfolio segment to a specific stage category under the PFRS 9 loan impairment standards (i.e., Stage 1, 2, 3).

The ICRRS is established by the Group in congruence with and with reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Group for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular.

Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time; hence, could lead to the transfer of credit exposure in different stages of impairment. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between a risk rating of A and A- is lower than the difference in the PD between a B and B- risk rating).

In the process of applying the Group's ICRRS in determining the credit quality of loans and receivables, the Group analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Rating Scale	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments.
AA*	Very strong capacity to meet financial commitments.
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	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.
Doubtful	Loans and credit accommodations that 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.
Loss	Loans considered absolutely uncollectible or worthless.

** Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.*

As part of credit risk assessment documentation and reporting, the Group includes financial instruments rated as AAA to B- under the "Pass" classification, while instruments rated CCC+ and below are grouped under the Watchlisted classification. Generally, "Pass" classification includes loans and other credit accommodations that do not have a greater-than-normal credit risk and do not possess the characteristics of classified loans. These are credits that have the apparent ability and willingness to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. On the other hand, watchlisted counterparties are characterized by the following:

- those that belong to an unfavorable industry or has company-specific risk factors which represent a concern;
- the operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance;
- borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility; and,
- borrower incurs net losses and has salient financial weaknesses, reflected on their financial statements, specifically in profitability.

Split classification/rating may apply for non-performing secured loans and other credit accommodations, depending on the recoverability and liquidity of the collateral. The secured portion may be classified as "substandard" or "doubtful", as appropriate, while the unsecured portion shall be classified "loss" if there is no other source of payment other than the collateral.

In the case of syndicated loans, the Group shall maintain credit information on the borrower, and grade and make provision for its portion of the syndicated loan in accordance with its policy. The lead financial institution or bank shall provide participating financial institutions with the credit information on the borrower upon request by the participating financial institutions and inform the latter if the loan will be classified so as to achieve uniform classification of the syndicated loan.

(ii) Retail and Other Products

CMG is tasked to measure, control and manage credit risk on the consumer loans business of the Group through the performance of regular monitoring, reporting and recommendation of risk mitigation measures of the actual credit risk portfolio to the CRECOL and ROC, as well as accomplishment of the corresponding review and development of credit policies and guidelines to sustain asset quality.

For consumer loans, risk assessment is performed on an individual borrower through the use of a credit application scorecard for Housing, Auto and Personal Loans while for Corporate Salary Loans, rule-based credit criteria on company accreditation and borrower evaluation has been established. The credit application scorecard makes use of customer, loan and collateral characteristics which have been assigned weights based on their predictive power in determining the propensity of an account to default or maintain a satisfactory credit performance. Credit decisions are based on recommended score cut-offs.

Asset quality of the Group is monitored through a regular portfolio performance review including customer segmentation and loan concentration risk assessment to identify sources of risk and to determine risk mitigation on segments that drive delinquency or manifests triggers for default. Likewise, close monitoring and review of industry performance, economic changes and market conditions that may affect the consumer loans business is also taken into consideration to establish a holistic risk assessment process.

For the credit card portfolio of the Group, credit risk assessment is performed through segmentation process to diversify the portfolio risk into different homogeneous populations or segments. Over-all account distribution is analyzed for three different snapshots with respect to month-on-month DPD to see consistency in the portfolio.

For microfinance and small business loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. Credit risk assessment is performed based on groups of loan portfolio segmented by product type such as (a) credit accommodations to small-medium size borrowers; and, (b) agricultural and microfinance loans.

The Group classifies the consumer, microfinance and small business loans based on days past due following the categories that are consistent with the manner applied under the Group's internal credit risk assessment and regulatory reporting as follows:

Bucket	Classification	Secured	Unsecured
Current	Unclassified	Unclassified	Unclassified
One to 30 days	Especially Mentioned	Unclassified	Especially Mentioned
31 to 60 days	Especially Mentioned	Especially Mentioned	Especially Mentioned
61 to 90 days	Substandard	Especially Mentioned	Substandard
91 to 180 days	Substandard	Substandard	Substandard
181 to 365 days	Doubtful	Doubtful	Doubtful
More than 365 days	Loss	Loss	Loss

The Group assigns consumer, microfinance and small business loans based on classification into stages of impairment as follows:

Classification	Stage
Unclassified	1
Especially Mentioned	2
Defaulted	3

For purposes of the information disclosed for credit risk exposures, 'defaulted' accounts include those which are classified as Substandard, Doubtful, and Loss.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review by the Group's CMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(iii) Debt Securities at Amortized Cost and at FVOCI

For debt securities, the Group adopts similar credit risk ratings published by reputable external rating agency (e.g., S&P). These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

4.4.3 Assessment of SICR

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Group assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific. As the Group holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Group ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL. PFRS 9 provides a rebuttable presumption that credit risk is considered to have significantly increased since initial recognition if the contractual payment is more than 30 days past due. The rebuttal must be in consideration of a reasonable and supportable information that is available without undue cost or effort.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Group's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Using the Group's ICRRS, Stage 2 includes credit exposures that are considered 'under-performing' in which risk ratings were downgraded by at least three notches and/or downgraded to CCC+ to Especially Mentioned. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Group's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Group as 'non-performing', which is assessed consistently with the Group's definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Group recognizes a lifetime ECL for all credit-impaired financial assets.

The Group considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. Under the Group's ICRRS, these are exposures rated at least Especially Mentioned. For exposures with no internal credit risk rating performed, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Depending on the number of days past due which differ across the various retail products of the Group, a credit exposure may be transferred to Stage 2 or Stage 3. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

As a general rule, an upgrade or transfer of credit exposure from Stage 3 to Stage 1 is allowed when there is sufficient evidence to support that full collection of principal and interest is probable, consistent with the Group's definition of curing period which is 6 months of satisfactory performance before an account is moved from Stage 3 to Stage 2 and another 6 months from Stage 2 to Stage 1.

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

4.4.4 Definition of Default and Credit-impaired Assets

i. Loans and Receivables

The Group defines a loan instrument as in default, which is aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments, except for the 30 days past due threshold for retail loans of the Group and one day past due for microfinance loan portfolio of Rizal Microbank. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances and factors that may indicate unlikeliness to pay which may include (a) significant financial difficulty of the issuer or borrower; (b) the restructuring of a loan by the Group, for economic or legal reasons relating to the borrower's financial difficulty, on terms that the Group would not consider otherwise; or (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

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

An instrument is considered to be no longer in default or have cured when the borrower is able to repay the installments in arrears and the account no longer meets any of the default criteria for a consecutive period of 180 days observation period, within which the borrower shall make consecutive payments.

The definitions of default and observation period have been aligned with the definition used for regulatory capital purposes. Definitions of default and cure period can be rebutted and the rebuttal will be monitored and reviewed by the CMG on annual basis to ensure definitions remains appropriate.

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

ii. *Investments in Debt Securities*

Investments in debt securities is assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL.

Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of credit-worthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

4.4.5 ECL Measurement Inputs

Integral in the Group's established policies in measuring and calculating ECL on financial instrument is the use of appropriate model for each segment of financial asset that applies relevant inputs and assumptions, including forward-looking information as appropriate.

(a) Key Inputs and Assumptions in the ECL Model

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

(i) PD represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. PD is calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures which considers both quantitative and qualitative factors. In determining PD, the Group performed segmentation of its credit exposures based on homogenous characteristics [including corporate loan and retail loan (including credit-card and microfinance)] and developed a systematic PD methodology for each portfolio. Generally, if a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

(ii) LGD pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset. For secured credit exposure, the determination of LGD is dependent on the Group's collateral data which are available at the origination of the instrument which takes into account the amount and timing of the cash inflows (actual recovery) and outflows (actual expenses) and on the time value of money. Recoveries are calculated on a discounted cash flows basis using the effective interest rate as the discounting factor.

(iii) EAD represents the gross carrying amount of the exposure in the event of default which include the amortized cost amount of an instrument and any accrued interest receivable. For lending commitments, the EAD includes the amount of drawn and undrawn irrevocable loan commitments under the contract, which are estimated based on historical observations and forward-looking forecast. For some financial assets (e.g., credit card lending), EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical technique which considers the ability of borrowers to increase its exposure from the time of ECL calculation to the time of default (i.e., credit conversion factor).

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or the relevant fund transfer pricing rate, whichever is more applicable.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (i.e., an observation period of five years) which uses, among others the number of rated accounts and ratings of bad accounts at the time of default. Bad accounts are defaulted accounts classified into three classes such as the non-performing loans, accounts classified as Substandard, Doubtful or Loss, and real past due accounts.

For consumer loans, the PD models are used to compute a through-the-cycle (TTC) PD, which are PDs neutral to changes in conditions over the economic cycle covering the lifetime of the exposure. These TTC PDs are adjusted using a single factor Vasicek model to reflect the impact of macroeconomic factors to arrive at forward-looking Point-In-Time (PIT) PDs to consider the probability of default in current economic conditions in accordance with PFRS 9.

In a risk rating model applied by the Group for corporate loans, a better rating or score denotes less probability of default than those of a worse rating. Identifying the counterparty default is done through a computation of the portfolio's observed default rate (ODR). In cases when ODR method and the data to be used is limited, the Group may also employ the implied probability of default frequency (IPD) and the application of overlay factors in the PD.

Using the historical defaults under the Group's ICRRS based on S&P scale, ODR is calculated for each rating bucket as the ratio of the total number of defaults in next 12 months divided by the total count of accounts. On the other hand, unrated accounts are distributed to existing S&P rating classes using normal distribution assumption.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

For revolving products (such as credit cards and credit line facilities), EAD is determined by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

For cash and cash equivalents and debt securities, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECL on such instruments on a 12-month basis. However, when there has been a SICR since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from S&P to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

The assumptions underlying the ECL calculation are monitored and reviewed on an annual basis. With the changes in the current economic condition and granular behavior analysis of customers, the management has enhanced its existing ECL model in 2022 to reflect the continuing impact of the COVID-19 pandemic and the Group's and Parent Company's financial support program to its customers on a reasonable and supportable basis. In 2023, the Bank conducted an independent model validation which encompasses comprehensive model testing to assess model robustness. A refresh is applied to update the ECL model to ensure it remains relevant and effective in estimating credit losses. The Bank further applied post model adjustments in 2024 to consider the results of its ongoing review of customer segmentation recovery updates (see Note 4.4).

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information discussed below.

(b) Overlay of Forward-looking Information

The Group incorporates forward-looking information (FLI) in its calculation of ECL. The Group has performed historical analysis and has identified the key MEVs impacting credit risk associated with its borrowers and/or counterparties and the ECL for relevant portfolio of debt instruments.

The MEVs and their associated impact on the PD, LGD and EAD vary by financial instrument. For corporate loans, a multivariate analysis in the context of Vector Autoregressive (VAR) model is used to assess the effect of macroeconomic factors as historical and deterministic regressors to the portfolios PD. To determine the MEV, all possible combinations of the time series and considered lags with NPL ratio were considered and evaluated based on the soundness of economic theory, goodness of fit, and in accordance with the assumptions of VAR. For consumer loans, to project the MEVs for the full remaining life of each financial instrument, a mean reversion approach has been used for consumer loans, which means that MEVs tend to converge to either a long run average rate (e.g., for unemployment) or a long run average growth rate [e.g., Gross Domestic Product (GDP)] over a period of two to five years.

The impact of these economic variables on the PD, LGD and EAD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Group include economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Group has identified key drivers for credit risk for its corporate loans portfolio, which include among others, GDP growth rate, inflation rate, unemployment rate, interest rate (i.e., based on 91-day T-bill Yield), household consumption expenditure growth, OFW remittances, and foreign currency exchange rates.

On the other hand, the key drivers for the Group's retail and consumer loans portfolio include unemployment rate, GDP growth rate, consumer price index (CPI), foreign currency exchange rates, inflation rate, and bank lending rates. Using an analysis of historical data, the Group has estimated relationships between MEVs and credit risk and credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Management has also considered other FLI 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 on a regular basis and additional factors may be incorporated from time to time as deemed appropriate.

4.4.6 Credit Risk Exposures

An analysis of the maximum credit risk exposure relating to receivables from customers is shown below:

	Group			
	Gross Maximum Exposure	**Fair Value of Collaterals**	**Net Exposure**	**Financial Effect Of Collaterals**
(Amounts in PHP)				
2024				
Loans and discounts:				
Corporate	421,744	477,408	-	421,744
Consumer*	174,873	143,253	31,620	143,253
Credit card receivables	110,453	-	110,453	-
Leasing and finance	2,401	5,677	-	2,401
Microfinance and small business	1,163	4,148	-	1,163
Other receivables	51,993	4,332	47,661	4,332
	762,627	**634,818**	**189,734**	**572,893**
2023				
Loans and discounts:				
Corporate	414,311	356,230	58,081	356,230
Consumer*	128,867	145,505	2,777	126,090
Credit card receivables	74,667	-	74,667	-
Leasing and finance	2,801	3,900	-	2,801
Microfinance and small business	1,276	5,978	-	1,276
Other receivables	45,402	5,504	39,898	5,504
	667,324	517,117	175,423	491,901

**The net exposure balance includes unsecured personal and salary loans*

(Amounts in PHP)	Parent Company			
	Gross Maximum Exposure	**Fair Value of Collaterals**	**Net Exposure**	**Financial Effect Of Collaterals**
2024				
Loans and discounts:				
Corporate	419,085	477,408	-	419,085
Consumer*	174,873	143,253	31,620	143,253
Credit card receivables	110,453	-	110,453	-
Other receivables	50,850	4,332	46,518	4,332
	755,261	**624,993**	**188,591**	**566,670**
2023				
Loans and discounts:				
Corporate	411,706	351,499	60,207	351,499
Consumer*	128,867	145,505	2,777	126,090
Credit card receivables	74,667	-	74,667	-
Other receivables	44,462	5,504	38,958	5,504
	659,702	502,508	176,609	483,093

**The net exposure balance includes unsecured personal and salary loans*

The table below sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31.

(Amounts in PHP)	Group		Parent Company	
	2024	2023	**2024**	2023
Cash and cash equivalents	**185,369**	250,108	**182,670**	247,941
Debt securities:				
At amortized cost	**260,344**	236,688	**259,419**	235,803
At FVOCI	**154,488**	78,533	**154,376**	78,417
	600,201	565,329	**596,465**	562,161

Cash and cash equivalents include loans and advances to banks [i.e., Due from BSP, Due from Other Banks, Loans Arising from Repurchase Agreements, and Interbank Loans Receivables (see Note 9)]. Debt securities includes government and corporate bonds and bills. These are held with the central bank, financial institutions and other counterparties that are reputable and with low credit risk; corresponding allowance for ECL is shown in the succeeding pages.

The information about the credit exposures on the above financial assets as well as on loan commitments by stages of impairment as of December 31, 2024 and 2023, shown at their gross carrying amounts with the corresponding allowance for ECL are shown in the succeeding pages. All instruments, which were not assessed by the Group for ECL based on individual credit risk rating were evaluated on a collective basis, applying applicable PD and LGD based on the segment of instrument.

The maximum exposure to credit risks for other financial assets is limited to their carrying values as of December 31, 2024 and 2023.

a) Loans and receivables

	Group				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired***	**Total**
(Amounts in PHP)					
2024					
Corporate loans					
Pass					
AAA to BBB	3,936	-	-	-	3,936
BBB- to B-	360,442	162	227	-	360,831
Watchlisted	31,530	200	1,352	-	33,082
Especially mentioned	-	6,921	7,854	-	14,775
Substandard	-	-	8,458	-	8,458
Defaulted	-	-	579	20	599
Unrated	63	-	-	-	63
	395,971	7,283	18,470	20	421,744
Allowance for ECL	(957)	(472)	(8,352)	(16)	(9,797)
Carrying amount	**395,014**	**6,811**	**10,118**	**4**	**411,947**
Consumer loans					
Current	154,061	-	-	-	154,061
1-30 dpd	7,620	-	-	-	7,620
31-90 dpd	-	5,289	-	-	5,289
Defaulted	-	-	7,903	-	7,903
	161,681	5,289	7,903	-	174,873
Allowance for ECL	(820)	(515)	(1,669)	-	(3,004)
Carrying amount	**160,861**	**4,774**	**6,234**	**-**	**171,869**
Credit cards					
Current	102,931	51	-	-	102,982
1-29 dpd	1,714	19	-	-	1,733
30-59 dpd	-	911	-	-	911
60-89 dpd	-	833	-	-	833
Defaulted	-	-	3,994	-	3,994
	104,645	1,814	3,994	-	110,453
Allowance for ECL	(734)	(891)	(2,804)	-	(4,429)
Carrying amount	**103,911**	**923**	**1,190**	**-**	**106,024**
Leasing and finance receivables*					
AAA+ to B+	290	-	-	-	290
B-	777	7	-	-	784
CCC below	-	127	1,116	-	1,243
Unrated	84	-	-	-	84
	1,151	134	1,116	-	2,401
Allowance for ECL	(144)	(25)	(824)	-	(993)
Carrying amount	**1,007**	**109**	**292**	**-**	**1,408**
Micro and small business loans**					
Unclassified	892	-	-	-	892
Especially mentioned	-	50	-	-	50
Defaulted	-	-	221	-	221
	892	50	221	-	1,163
Allowance for ECL	(1)	-	(92)	-	(93)
Carrying amount	**891**	**50**	**129**	**-**	**1,070**
Balance forwarded	**661,684**	**12,667**	**17,963**	**4**	**692,318**

	Group				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired***	**Total**
(Amounts in PHP)					
Balance carried forward	**661,684**	**12,667**	**17,963**	**4**	**692,318**
Other receivables					
Current	48,794	-	1	-	48,795
Past due	-	883	2,315	-	3,198
	48,794	883	2,316	-	51,993
Allowance for ECL	(143)	(81)	(1,590)	-	(1,814)
Carrying amount	**48,651**	**802**	**726**	**-**	**50,179**
Total gross amount	713,134	15,453	34,020	20	762,627
Allowance for ECL	(2,799)	(1,984)	(15,331)	(16)	(20,130)
Carrying amount	**710,335**	**13,469**	**18,689**	**4**	**742,497**

**Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC JPL*
***Leasing and finance receivables are from RCBC LFC*
****Micro and small business loans are from Rizal Microbank*

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
(Amounts in PHP)					
2023					
Corporate Loans					
Pass					
AAA to BBB	16,339	1	-	-	16,340
BBB- to B-	351,474	32	4	-	351,510
Watchlisted	20,104	836	4	-	20,944
Especially mentioned	-	4,565	4,395	-	8,960
Substandard	-	-	9,032	-	9,032
Defaulted	-	-	518	20	538
Unrated	6,955	1	31	-	6,987
	394,872	5,435	13,984	20	414,311
Allowance for ECL	(923)	(222)	(7,891)	(16)	(9,052)
Carrying amount	393,949	5,213	6,093	4	405,259
Consumer loans					
Current	111,978	-	-	-	111,978
1-30 dpd	6,216	-	-	-	6,216
31-90 dpd	-	3,686	-	-	3,686
Defaulted	-	-	6,987	-	6,987
	118,194	3,686	6,987	-	128,867
Allowance for ECL	(558)	(280)	(1,187)	-	(2,025)
Carrying amount	117,636	3,406	5,800	-	126,842
Credit cards					
Current	69,735	30	-	-	69,765
1-29 dpd	1,129	13	-	-	1,142
30-59 dpd	-	660	-	-	660
60-89 dpd	-	544	-	-	544
Defaulted	-	-	2,556	-	2,556
	70,864	1,247	2,556		74,667
Allowance for ECL	(886)	(747)	(2,018)	-	(3,651)
Carrying amount	69,978	500	538	-	71,016
Balance forwarded	581,563	9,119	12,431	4	603,117

(Amounts in PHP)	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
Balance carried forward	581,563	9,119	12,431	4	603,117
*Leasing and finance receivables***					
AAA+ to B+	512	-	-	-	512
B-	136	-	-	-	136
CCC below	-	1,216	937	-	2,153
	648	1,216	937	-	2,801
Allowance for ECL	(85)	(235)	(716)	-	(1,036)
Carrying amount	563	981	221	-	1,765
*Micro and small business loans****					
Unclassified	994	-	-	-	994
Especially mentioned	-	79	-	-	79
Defaulted	-	-	203	-	203
	994	79	203	-	1,276
Allowance for ECL	(1)	(1)	(66)	-	(68)
Carrying amount	993	78	137	-	1,208
Other receivables					
Current	43,050	-	1	-	43,051
Past due	-	344	2,007	-	2,351
	43,050	344	2,008	-	45,402
Allowance for ECL	(188)	(29)	(1,346)	-	(1,563)
Carrying amount	42,862	315	662	-	43,839
Total gross amount	628,622	12,007	26,675	20	667,324
Allowance for ECL	(2,641)	(1,514)	(13,224)	(16)	(17,395)
Carrying amount	625,981	10,493	13,451	4	649,929

**Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC JPL*
***Leasing and finance receivables are from RCBC LFC*
****Micro and small business loans are from Rizal Microbank*

	Parent Company				
(Amounts in PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased credit-impaired***	**Total**
2024					
Corporate loans					
Pass					
AAA to BBB	3,936	-	-	-	3,936
BBB- to B-	359,746	160	227	-	360,133
Watchlisted	31,361	136	833	-	32,330
Especially mentioned	-	6,921	7,647	-	14,568
Substandard	-	-	7,756	-	7,756
Defaulted	-	-	362	-	362
	395,043	7,217	16,825	-	419,085
Allowance for ECL	(956)	(472)	(8,352)	-	(9,780)
Carrying amount	**394,087**	**6,745**	**8,473**	**-**	**409,305**
Consumer loans					
Current	154,061	-	-	-	154,061
1-30 dpd	7,620	-	-	-	7,620
31-90 dpd	-	5,289	-	-	5,289
Defaulted	-	-	7,903	-	7,903
	161,681	5,289	7,903	-	174,873
Allowance for ECL	(820)	(515)	(1,669)	-	(3,004)
Carrying amount	**160,861**	**4,774**	**6,234**	**-**	**171,869**
Credit cards					
Current	102,931	51	-	-	102,982
1-29 dpd	1,714	19	-	-	1,733
30-59 dpd	-	911	-	-	911
60-89 dpd	-	833	-	-	833
Defaulted	-	-	3,994	-	3,994
	104,645	1,814	3,994	-	110,453
Allowance for ECL	(734)	(891)	(2,804)	-	(4,429)
Carrying amount	**103,911**	**923**	**1,190**	**-**	**106,024**
Other receivables					
Current	47,941	-	-	-	47,941
Past due	-	883	2,026	-	2,909
	47,941	883	2,026	-	50,850
Allowance for ECL	(142)	(81)	(1,294)	-	(1,517)
Carrying amount	**47,799**	**802**	**732**	**-**	**49,333**
Total gross amount	709,310	15,203	30,748	-	755,261
Allowance for ECL	(2,652)	(1,959)	(14,119)	-	(18,730)
Carrying amount	**706,658**	**13,244**	**16,629**	**-**	**736,531**

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
(Amounts in PHP)					
2023					
Corporate loans					
Pass					
AAA to BBB	15,793	1	-	-	15,794
BBB- to B-	351,474	32	4	-	351,510
Watchlisted	19,761	295	4	-	20,060
Especially mentioned	-	4,294	4,395	-	8,689
Substandard	-	-	8,326		8,326
Defaulted	-	-	340	-	340
Unrated	6,955	1	31		6,987
	393,983	4,623	13,100	-	411,706
Allowance for ECL	(923)	(222)	(7,890)	-	(9,035)
Carrying amount	393,060	4,401	5,210	-	402,671
Consumer loans					
Current	111,978	-	-		111,978
1-30 dpd	6,216	-	-	-	6,216
31-90 dpd	-	3,686	-	-	3,686
Defaulted	-	-	6,987	-	6,987
	118,194	3,686	6,987	-	128,867
Allowance for ECL	(558)	(280)	(1,187)	-	(2,025)
Carrying amount	117,636	3,406	5,800	-	126,842
Credit cards					
Current	69,735	30	-	-	69,765
1-29 dpd	1,129	13	-	-	1,142
30-59 dpd	-	660	-	-	660
60-89 dpd	-	544	-	-	544
Defaulted	-	-	2,556	-	2,556
	70,864	1,247	2,556	-	74,667
Allowance for ECL	(886)	(747)	(2,018)	-	(3,651)
Carrying amount	69,978	500	538	-	71,016
Other receivables					
Current	42,401	-	-	-	42,401
Past due	-	344	1,717	-	2,061
	42,401	344	1,717	-	44,462
Allowance for ECL	(187)	(29)	(1,094)	-	(1,310)
Carrying amount	42,214	315	623	-	43,152
Total gross amount	625,442	9,900	24,360	-	659,702
Allowance for ECL	(2,554)	(1,278)	(12,189)	-	(16,021)
Carrying amount	622,888	8,622	12,171	-	643,681

b) Investments in debt securities at amortized cost and at FVOCI

	Group		Parent Company	
	HTC	**FVOCI**	**HTC**	**FVOCI**
(Amounts in PHP)				
2024				
Government securities				
AAA to A+	19,033	45,969	19,033	45,969
BBB+ to BBB-	211,269	94,428	210,344	94,428
	230,302	140,397	229,377	140,397
Corporate debt securities				
AAA	-	536	-	536
AA+ to A+	1,130	-	1,130	-
A to A-	715	-	715	-
BBB+ to BBB-	12,855	3,527	12,855	3,527
BB+ to BB-	-	581	-	500
B+ and below	15,342	9,447	15,342	9,416
	30,042	14,091	30,042	13,979
Allowance for ECL	(122)	(14)	(32)	(14)
	29,920	14,077	30,010	13,965
	260,222	**154,474**	**259,387**	**154,362**
2023				
Government securities				
AAA to A+	15,778	808	15,778	808
BBB+ to BBB-	192,383	64,623	191,498	64,623
	208,161	65,431	207,276	65,431
Corporate debt securities				
AAA	-	515	-	515
AA+ to A+	830	-	830	-
A to A-	687	-	687	-
BBB+ to BBB-	16,024	9,620	16,024	9,620
BB+ to BB-	10,823	2,934	10,823	2,851
B+ and below	163	33	163	-
	28,527	13,102	28,527	12,986
Allowance for ECL	(161)	(13)	(71)	(13)
	28,366	13,089	28,456	12,973
	236,527	78,520	235,732	78,404

c) *Loan Commitments*

The credit quality of the Group and Parent Company's irrevocable loan commitments with amounts determined after considering credit conversion factor, as of December 31 follows:

	Group and Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
(Amounts in PHP)				
2024				
Corporate loans				
Pass				
AAA to BBB	72	-	-	72
BBB- to B-	6,804	-	-	6,804
Watchlisted	123	-	-	123
Especially mentioned	-	10	-	10
	6,999	10	-	7,009
ECL provisions	(12)	-	-	(12)
Carrying amount	**6,987**	**10**	**-**	**6,997**
Credit cards				
Current	30,646	-	-	30,646
ECL provisions	(358)	-	-	(358)
Carrying amount	**30,288**	**-**	**-**	**30,288**
	37,275	**10**	**-**	**37,285**
2023				
Corporate loans				
Pass				
AAA to BBB	474	-	-	474
BBB- to B-	7,150	-	-	7,150
Watchlisted	59	-		59
Especially mentioned	-	3	-	3
Unrated	599	-	-	599
	8,282	3	-	8,285
ECL provisions	(11)	-	-	(11)
Carrying amount	8,271	3	-	8,274
Credit cards				
Current	23,718	-	-	23,718
ECL provisions	(293)	-	-	(293)
Carrying amount	23,425	-	-	23,425
	31,696	3	-	31,699

4.4.7 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL).

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Government securities	**7,257**	9,647	**7,252**	9,615
Corporate debt securities	**132**	28	**132**	19
Derivative financial assets	**2,067**	1,320	**2,067**	1,320
	9,456	10,995	**9,451**	10,954

4.4.8 Allowance for ECL

The succeeding tables show the reconciliation of the loss allowance for ECL by class of significant financial instruments.

a) *Loans and receivables*

	Group				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
(Amounts in PHP)					
2024					
Corporate loans					
Balance at beginning of year	923	222	7,891	16	9,052
Transfers:					
Stage 1 to Stage 2	(8)	8	-	-	-
Stage 1 to Stage 3	(63)	-	63	-	-
Stage 2 to Stage 1	7	(7)	-	-	-
Stage 2 to Stage 3	-	(107)	107	-	-
Stage 3 to Stage 2	-	355	(355)	-	-
Assets derecognized or repaid	(667)	(217)	(38)	-	(922)
New assets originated:					
Remained in Stage 1	765	-	-	-	765
Moved to Stages 2 and 3	-	218	684	-	902
	34	250	461	-	745
Balance at end of year	**957**	**472**	**8,352**	**16**	**9,797**
Consumer loans					
Balance at beginning of year	558	280	1,187	-	2,025
Transfers:				-	
Stage 1 to Stage 2	(57)	57	-	-	-
Stage 1 to Stage 3	(139)	-	139	-	-
Stage 2 to Stage 1	130	(130)	-	-	-
Stage 2 to Stage 3	-	(145)	145	-	-
Stage 3 to Stage 2	-	29	(29)	-	-
Assets derecognized or repaid	(149)	(61)	(272)	-	(482)
New assets originated:				-	
Remained in Stage 1	477	-	-	-	477
Moved to Stages 2 and 3	-	485	607	-	1,092
Write-offs	-	-	(108)	-	(108)
	262	235	482	-	979
Balance at end of year	**820**	**515**	**1,669**	**-**	**3,004**
Balance forwarded	1,777	987	10,021	16	12,801

(Amounts in PHP)	Group Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	1,777	987	10,021	16	12,801
Credit cards					
Balance at beginning of year	886	747	2,018	-	3,651
Transfers:					
Stage 1 to Stage 2	(40)	40	-	-	-
Stage 1 to Stage 3	(252)	-	252	-	-
Stage 2 to Stage 1	76	(76)	-	-	-
Stage 2 to Stage 3	-	(623)	623	-	-
Stage 3 to Stage 1	50		(50)	-	-
Stage 3 to Stage 2	-	51	(51)	-	-
Assets derecognized or repaid	(1,046)	(396)	(524)	-	(1,966)
New assets originated:					
Remained in Stage 1	1,060	-	-	-	1,060
Moved to Stages 2 and 3	-	1,148	5,508	-	6,656
Write-offs	-	-	(4,972)	-	(4,972)
	(152)	144	786	-	778
Balance at end of year	**734**	**891**	**2,804**	**-**	**4,429**
Leasing and finance receivables*					
Balance at beginning of year	85	235	716	-	1,036
Transfers:					
Stage 1 to Stage 2	(3)	3	-	-	-
Stage 1 to Stage 3	(10)	-	10	-	-
Stage 2 to Stage 1	1	(1)			-
Stage 2 to Stage 3	-	(66)	66	-	-
Stage 3 to Stage 1	2	-	(2)	-	-
Assets derecognized or repaid	(25)	(147)	(119)	-	(291)
New assets originated:					
Remained in Stage 1	94	-	-	-	94
Moved to Stages 2 and 3	-	1	174	-	175
Write-offs	-	-	(21)	-	(21)
	59	(210)	108	-	(43)
Balance at end of year	**144**	**25**	**824**	**-**	**993**
Balance forwarded	2,655	1,903	13,649	16	18,223

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
(Amounts in PHP)					
Balance carried forward	2,655	1,903	13,649	16	18,223
Micro and small business loans*					
Balance at beginning of year	1	1	66	-	68
Transfers:					
Stage 1 to Stage 2	(1)	1	-	-	-
Stage 1 to Stage 3	(1)	-	1	-	-
Stage 2 to 3	-	(2)	2	-	-
Stage 3 to 1	1	-	(1)	-	-
Stage 3 to 2	-	2	(2)	-	-
Assets derecognized or repaid	-	(3)	(10)	-	(13)
New assets originated:	-				
Remained in Stage 1	1	-	-	-	1
Moved to Stages 2 and 3	-	1	39	-	40
Write-offs	-	-	(3)	-	(3)
	-	(1)	26	-	25
Balance at end of year	**1**	**-**	**92**	**-**	**93**
Other receivables					
Balance at beginning of year	188	29	1,346	-	1,563
Transfers:					
Stage 1 to Stage 2	(59)	59	-	-	-
Stage 1 to Stage 3	(2)	-	2	-	-
Stage 2 to Stage 1	2	(2)	-	-	-
Stage 2 to Stage 3	-	(44)	44	-	-
Stage 3 to Stage 2	-	26	(26)	-	-
Assets derecognized or repaid	(9)	(39)	(203)	-	(251)
New assets originated:				-	
Remained in Stage 1	23	-	-	-	23
Moved to Stages 2 and 3	-	52	427	-	479
	(45)	52	244	-	251
Balance at end of year	**143**	**81**	**1,590**	-	**1,814**
	2,799	**1,984**	**15,331**	**16**	**20,130**

(Amounts in PHP)	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	Group				
2023					
Corporate loans					
Balance at beginning of year	1,607	1,200	5,818	18	8,643
Transfers:					
Stage 1 to Stage 2	(127)	127	-	-	-
Stage 1 to Stage 3	(40)	-	40	-	-
Stage 2 to Stage 1	81	(81)	-	-	-
Stage 2 to Stage 3	-	(1,089)	1,089	-	-
Stage 3 to Stage 1	52	-	(52)	-	-
Stage 3 to Stage 2	-	147	(147)	-	-
Assets derecognized or repaid	(1,254)	(126)	(270)	(2)	(1,652)
New assets originated:					
Remained in Stage 1	604	-	-	-	604
Moved to Stages 2 and 3	-	44	1,700	-	1,744
Write-offs	-	-	(287)	-	(287)
	(684)	(978)	2,073	(2)	409
Balance at end of year	923	222	7,891	16	9,052
Consumer loans					
Balance at beginning of year	210	222	2,024	-	2,456
Transfers:					
Stage 1 to Stage 2	(31)	31	-	-	-
Stage 1 to Stage 3	(13)	-	13	-	-
Stage 2 to Stage 1	73	(73)	-	-	-
Stage 2 to Stage 3	-	(33)	33	-	-
Stage 3 to Stage 1	31	-	(31)	-	-
Stage 3 to Stage 2	-	11	(11)	-	-
Assets derecognized or repaid	(54)	(160)	(990)	-	(1,204)
New assets originated:					
Remained in Stage 1	342	-	-	-	342
Moved to Stages 2 and 3	-	282	885	-	1,167
Write-offs	-	-	(736)	-	(736)
	348	58	(837)	-	(431)
Balance at end of year	558	280	1,187	-	2,025
Credit cards					
Balance at beginning of year	718	310	1,662	-	2,690
Transfers:					
Stage 1 to Stage 2	(34)	34	-	-	-
Stage 1 to Stage 3	(68)	-	68	-	-
Stage 2 to Stage 1	60	(60)	-	-	-
Stage 2 to Stage 3	-	(75)	75	-	-
Stage 3 to Stage 1	53	-	(53)	-	-
Stage 3 to Stage 2	-	40	(40)	-	-
Assets derecognized or repaid	(1,401)	(316)	(398)	-	(2,115)
New assets originated:					
Remained in Stage 1	1,558	-	-	-	1,558
Moved to Stages 2 and 3	-	814	3,779	-	4,593
Write-offs	-	-	(3,075)	-	(3,075)
	168	437	356	-	961
Balance at end of year	886	747	2,018	-	3,651
Balance forwarded	2,367	1,249	11,096	16	14,728

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit – impaired	Total
(Amounts in PHP)					
Balance carried forward	2,367	1,249	11,096	16	14,728
*Leasing and finance receivables**					
Balance at beginning of year	26	100	624	-	750
Transfers:					
Stage 1 to Stage 2	(34)	34	-	-	-
Stage 2 to Stage 1	1	(1)	-	-	-
Stage 3 to Stage 1	5	-	(5)	-	-
Assets derecognized or repaid	(6)	(32)	(73)	-	(111)
New assets originated:					
Remained in Stage 1	93	-	-	-	93
Moved to Stages 2 and 3	-	134	242	-	376
Write-offs	-	-	(72)	-	(72)
	59	135	92	-	286
Balance at end of year	85	235	716	-	1,036
*Micro and small business loans***					
Balance at beginning of year	1	2	65	-	68
Transfers:				-	
Stage 1 to Stage 2	(1)	1	-	-	-
Stage 1 to Stage 3	(1)	-	1	-	-
Stage 2 to Stage 1	2	(2)	-	-	-
Stage 2 to Stage 3	-	(1)	1	-	-
Assets derecognized or repaid	-	-	(9)	-	(9)
New assets originated:					
Remained in Stage 1	-	-	-	-	-
Moved to Stages 2 and 3	-	1	17	-	18
Write-offs	-	-	(9)	-	(9)
	-	(1)	1	-	-
Balance at end of year	1	1	66	-	68
Other receivables					
Balance at beginning of year	128	57	1,238	-	1,423
Transfers:					
Stage 1 to Stage 2	(7)	7	-	-	-
Stage 2 to Stage 1	2	(2)	-	-	-
Stage 2 to Stage 3	-	(19)	19	-	-
Assets derecognized or repaid	(3)	(32)	(293)	-	(328)
New assets originated:					
Remained in Stage 1	68	-	-	-	68
Moved to Stages 2 and 3	-	18	382	-	400
	60	(28)	108	-	140
Balance at end of year	188	29	1,346	-	1,563
	2,641	1,514	13,224	16	17,395

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
(Amounts in PHP)					
2024					
Corporate loans					
Balance at beginning of year	923	222	7,890	-	9,035
Transfers:					
Stage 1 to Stage 2	(8)	8	-	-	-
Stage 1 to Stage 3	(63)	-	63	-	-
Stage 2 to Stage 1	7	(7)	-	-	-
Stage 2 to Stage 3	-	(107)	107	-	-
Stage 3 to Stage 2	-	355	(355)	-	-
Assets derecognized or repaid	(667)	(217)	(38)	-	(922)
New assets originated:					
Remained in Stage 1	764	-	-	-	764
Moved to Stages 2 and 3	-	218	685	-	903
	33	250	462	-	745
Balance at end of year	**956**	**472**	**8,352**	-	**9,780**
Consumer loans					
Balance at beginning of year	558	280	1,187	-	2,025
Transfers:					
Stage 1 to Stage 2	(57)	57	-	-	-
Stage 1 to Stage 3	(139)	-	139	-	-
Stage 2 to Stage 1	130	(130)	-	-	-
Stage 2 to Stage 3	-	(145)	145	-	-
Stage 3 to Stage 2	-	29	(29)	-	-
Assets derecognized or repaid	(149)	(61)	(272)	-	(482)
New assets originated:					
Remained in Stage 1	477	-	-	-	477
Moved to Stages 2 and 3	-	485	607	-	1,092
Write-offs	-	-	(108)	-	(108)
	262	235	482	-	979
Balance at end of year	**820**	**515**	**1,669**	**-**	**3,004**
Credit cards					
Balance at beginning of year	886	747	2,018	-	3,651
Transfers:					
Stage 1 to Stage 2	(40)	40	-	-	-
Stage 1 to Stage 3	(252)	-	252	-	-
Stage 2 to Stage 1	76	(76)	-	-	-
Stage 2 to Stage 3	-	(623)	623	-	-
Stage 3 to Stage 1	50	-	(50)	-	-
Stage 3 to Stage 2	-	51	(51)	-	-
Assets derecognized or repaid	(1,046)	(396)	(524)	-	(1,966)
New assets originated:					
Remained in Stage 1	1,060	-	-	-	1,060
Moved to Stages 2 and 3	-	1,148	5,508	-	6,656
Write-offs			(4,972)	-	(4,972)
	(152)	144	786	-	778
Balance at end of year	**734**	**891**	**2,804**	**-**	**4,429**
Balance forwarded	2,510	1,878	12,825	-	17,213

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
(Amounts in PHP)					
Balance carried forward	2,510	1,878	12,825	-	17,213
Other receivables					
Balance at beginning of year	187	29	1,094	-	1,310
Transfers:					
Stage 1 to Stage 2	(59)	59	-	-	-
Stage 1 to Stage 3	(2)	-	2	-	-
Stage 2 to Stage 1	2	(2)	-	-	-
Stage 2 to Stage 3	-	(44)	44	-	-
Stage 3 to Stage 2	-	26	(26)	-	-
Assets derecognized or repaid	(9)	(39)	(205)	-	(253)
New assets originated:					
Remained in Stage 1	23	-	-	-	23
Moved to Stages 2 and 3	-	52	385	-	437
	(45)	52	200		207
Balance at end of year	**142**	**81**	**1,294**	**-**	**1,517**
	2,652	**1,959**	**14,119**	**-**	**18,730**

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
(Amounts in PHP)					
2023					
Corporate loans					
Balance at beginning of year	1,607	1,200	5,818	-	8,625
Transfers:					
Stage 1 to Stage 2	(127)	127	-	-	-
Stage 1 to Stage 3	(40)	-	40	-	-
Stage 2 to Stage 1	80	(80)	-	-	-
Stage 2 to Stage 3	-	(1,089)	1,089	-	-
Stage 3 to Stage 1	47	-	(47)	-	-
Stage 3 to Stage 2	-	147	(147)	-	-
Assets derecognized or repaid	(1,244)	(117)	(322)	-	(1,683)
New assets originated:					
Remained in Stage 1	600	-	-	-	600
Moved to Stages 2 and 3	-	34	1,459	-	1,493
	(684)	(978)	2,072	-	410
Balance at end of year	923	222	7,890	-	9,035
Balance forwarded	923	222	7,890	-	9,035

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
(Amounts in PHP)					
Balance carried forward	923	222	7,890	-	9,035
Consumer loans					
Balance at beginning of year	210	222	2,024	-	2,456
Transfers:					
Stage 1 to Stage 2	(31)	31	-	-	-
Stage 1 to Stage 3	(13)	-	13	-	-
Stage 2 to Stage 1	73	(73)	-	-	-
Stage 2 to Stage 3	-	(33)	33	-	-
Stage 3 to Stage 1	31	-	(31)	-	-
Stage 3 to Stage 2	-	11	(11)	-	-
Assets derecognized or repaid	(54)	(160)	(990)	-	(1,204)
New assets originated:					
Remained in Stage 1	342	-	-	-	342
Moved to Stages 2 and 3	-	282	885	-	1,167
Write-offs	-	-	(736)	-	(736)
	348	58	(837)	-	(431)
Balance at end of year	558	280	1,187	-	2,025
Credit cards					
Balance at beginning				-	
of year	718	310	1,662	-	2,690
Transfers:					
Stage 1 to Stage 2	(34)	34	-	-	-
Stage 1 to Stage 3	(68)	-	68	-	-
Stage 2 to Stage 1	60	(60)	-	-	-
Stage 2 to Stage 3	-	(75)	75	-	-
Stage 3 to Stage 1	53		(53)	-	-
Stage 3 to Stage 2		40	(40)	-	-
Assets derecognized or repaid	(1,401)	(316)	(398)		(2,115)
New assets originated:					
Remained in Stage 1	1,558			-	1,558
Moved to Stages 2 and 3	-	814	3,779	-	4,593
Write-offs	-	-	(3,075)	-	(3,075)
	168	437	356	-	961
Balance at end of year	886	747	2,018	-	3,651
Other receivables					
Balance at beginning of year	76	52	1,189	-	1,317
Transfers:					
Stage 1 to Stage 2	(10)	10	-	-	-
Stage 1 to Stage 3	(1)	-	1	-	-
Stage 2 to Stage 1	11	(11)	-	-	-
Stage 2 to Stage 3	-	(36)	36	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	1	(1)	-	-
Assets derecognized or repaid	(13)	(4)	(472)	-	(489)
New assets originated:					
Remained in Stage 1	123	-	-	-	123
Moved to Stages 2 and 3	-	17	342	-	359
	111	(23)	(95)	-	(7)
Balance at end of year	187	29	1,094	-	1,310
	2,554	1,278	12,189	-	16,021

Presented below are the composition of allowance for ECL as by loan portfolio (see Note 11):

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Corporate	**9,797**	9,052	**9,780**	9,035
Credit card receivables	**4,429**	3,651	**4,429**	3,651
Consumer	**3,004**	2,025	**3,004**	2,025
Leasing and finance	**993**	1,036	-	-
Microfinance and small business	**93**	68	-	-
Other receivables	**1,814**	1,563	**1,517**	1,310
	20,130	17,395	**18,730**	16,021

b) Investments in debt securities at amortized cost and at FVOCI

	Group			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
(Amounts in PHP)				
Amortized cost				
2024				
Balance at beginning of year	161	-	-	161
Transfer:				
Stage 1 to Stage 2	(2)	2	-	-
Net remeasurement of loss allowance	(39)	-	-	(39)
Balance at end of year	**120**	**2**	**-**	**122**
2023				
Balance at beginning of year	163	-	-	163
Net remeasurement of loss allowance	(2)	-	-	(2)
Balance at end of year	161	-	-	161

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
(Amounts in PHP)				
Amortized cost				
2024				
Balance at beginning of year	71	-	-	71
Transfer:				
Stage 1 to Stage 2	(2)	2	-	-
Net remeasurement of loss allowance	(39)	-	-	(39)
Balance at end of year	**30**	**2**	**-**	**32**
2023				
Balance at beginning of year	71	-	-	71
Net remeasurement of loss allowance	-	-	-	-
Balance at end of year	71	-	-	71

(Amounts in PHP)	Group and Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
FVOCI				
2024				
Balance at beginning of year	13	-	-	13
Transfer:				
Stage 1 to Stage 2	(2)	2	-	-
Net remeasurement of loss allowance	(7)	8	-	1
Balance at end of year	**4**	**10**	**-**	**14**
2023				
Balance at beginning of year	13	-	-	13
Net remeasurement of loss allowance	-	-	-	-
Balance at end of year	13	-	-	13

c) *Loan commitments*

(Amounts in PHP)	Group and Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2024				
Corporate loans				
Balance at beginning of year	11	-	-	11
Assets derecognized or repaid	(8)	-	-	(8)
New assets originated – Remained in Stage 1	9	-	-	9
	1	-	-	1
Balance at end of year	12	-	-	12
Credit cards				
Balance at beginning of year	293	-	-	293
New assets originated – Remained in Stage 1	65	-	-	65
Balance at end of year	358	-	-	358
	370	**-**	**-**	**370**

(Amounts in PHP)	Group and Parent Company Stage 1	Stage 2	Stage 3	Total
2023				
Corporate loans				
Balance at beginning of year	29	-	-	29
Assets derecognized or repaid	(26)	-	-	(26)
New assets originated – Remained in Stage 1	8	-	-	8
	(18)	-	-	(18)
Balance at end of year	11	-	-	11
Credit cards				
Balance at beginning of year	185	-	-	185
New assets originated – Remained in Stage 1	108	-	-	108
Balance at end of year	293	-	-	293
	304	-	-	304

The information on how the significant changes in the gross carrying amount of the financial instruments contributed to the changes in the amount of allowance for ECL are presented in Note 4.4.9.

4.4.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

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

a) Loans and receivables

	Group				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
(Amounts in PHP)					
2024					
Corporate loans					
Balance at beginning of year	394,872	5,435	13,984	20	414,311
Transfers:					
Stage 1 to Stage 2	(1,256)	1,256	-	-	-
Stage 1 to Stage 3	(3,034)	-	3,034	-	-
Stage 2 to Stage 1	271	(271)	-	-	-
Stage 2 to Stage 3	-	(2,117)	2,117	-	-
Stage 3 to Stage 1	5	-	(5)	-	-
Stage 3 to Stage 2	-	709	(709)	-	-
Assets derecognized or repaid	(228,997)	(1,323)	(1,254)	-	(231,574)
New assets originated:					
Remained in Stage 1	234,110	-	-	-	234,110
Moved to Stages 2 and 3	-	3,594	1,303	-	4,897
	1,099	1,848	4,486	-	7,433
Balance at end of year	**395,971**	**7,283**	**18,470**	**20**	**421,744**
Consumer loans					
Balance at beginning of year	118,194	3,686	6,987	-	128,867
Transfers:					
Stage 1 to Stage 2	(3,409)	3,409	-	-	-
Stage 1 to Stage 3	(2,836)	-	2,836	-	-
Stage 2 to Stage 1	1,123	(1,123)	-	-	-
Stage 2 to Stage 3	-	(1,276)	1,276	-	-
Stage 3 to Stage 2	-	311	(311)	-	-
Assets derecognized or repaid	(6,477)	(428)	(3,499)	-	(10,404)
New assets originated:					
Remained in Stage 1	55,086	-	-	-	55,086
Moved to Stages 2 and 3	-	710	722	-	1,432
Write-offs	-	-	(108)	-	(108)
	43,487	1,603	916	-	46,006
Balance at end of year	**161,681**	**5,289**	**7,903**	**-**	**174,873**
Credit cards					
Balance at beginning of year	70,864	1,247	2,556	-	74,667
Transfers:					
Stage 1 to Stage 2	(1,283)	1,283	-	-	-
Stage 1 to Stage 3	(4,208)	-	4,208	-	-
Stage 2 to Stage 1	144	(144)	-	-	-
Stage 2 to Stage 3	-	(1,053)	1,053	-	-
Stage 3 to Stage 1	68	-	(68)	-	-
Stage 3 to Stage 2	-	64	(64)	-	-
Assets derecognized or repaid	(170,466)	(931)	(779)	-	(172,176)
New assets originated:					
Remained in Stage 1	209,526	-	-	-	209,526
Moved to Stages 2 and 3	-	1,348	2,060	-	3,408
Write-offs	-	-	(4,972)	-	(4,972)
	33,781	567	1,438	-	35,786
Balance at end of year	**104,645**	**1,814**	**3,994**	**-**	**110,453**
Balance carried forward	662,297	14,386	30,367	20	707,070

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit – impaired	Total
(Amounts in PHP)					
Balance carried forward	662,297	14,386	30,367	20	707,070
Leasing and finance receivables*					
Balance at beginning of year	648	1,216	937	-	2,801
Transfers:					
Stage 1 to Stage 2	(44)	44	-	-	-
Stage 1 to Stage 3	(247)	-	247	-	-
Stage 2 to Stage 1	9	(9)	-	-	-
Stage 2 to Stage 3	-	(122)	122	-	-
Stage 3 to Stage 1	2	-	(2)	-	-
Assets derecognized or repaid	(986)	(1,002)	(469)	-	(2,457)
New assets originated:					
Remained in Stage 1	1,769	-	-	-	1,769
Moved to Stages 2 and 3	-	7	302	-	309
Write-offs	-	-	(21)	-	(21)
	503	(1,082)	179	-	(400)
Balance at end of year	**1,151**	**134**	**1,116**	**-**	**2,401**
Micro and small business loans*					
Balance at beginning of year	994	79	203	-	1,276
Transfers:					
Stage 1 to Stage 2	(9)	9	-	-	-
Stage 1 to Stage 3	(22)	-	22	-	-
Stage 2 to Stage 1	16	(16)	-	-	-
Stage 2 to Stage 3	-	(21)	21	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	6	(6)	-	-
Assets derecognized or repaid	(726)	(39)	(63)	-	(828)
New assets originated:					
Remained in Stage 1	638	-	-	-	638
Moved to Stages 2 and 3	-	32	48	-	80
Write-offs	-	-	(3)	-	(3)
	(102)	(29)	18	-	(113)
Balance at end of year	**892**	**50**	**221**	-	**1,163**
Other receivables					
Balance at beginning of year	43,050	344	2,008	-	45,402
Transfers:				-	
Stage 1 to Stage 2	(620)	620		-	-
Stage 1 to Stage 3	(68)	-	68	-	-
Stage 2 to Stage 1	26	(26)	-	-	-
Stage 2 to Stage 3	-	(465)	465	-	-
Stage 3 to Stage 1	-	58	(58)	-	-
Assets derecognized or repaid	(3,762)	(517)	(813)	-	(5,092)
New assets originated:					
Remained in Stage 1	10,168	-	-	-	10,168
Moved to Stages 2 and 3	-	869	646	-	1,515
	5,744	539	308	-	6,591
Balance at end of year	**48,794**	**883**	**2,316**	-	**51,993**
	713,134	**15,453**	**34,020**	**20**	**762,627**

(Amounts in PHP)	Group Stage 1	Stage 2	Stage 3	Purchased credit - impaired	Total
2023					
Corporate loans					
Balance at beginning of year	367,413	3,837	9,452	20	380,722
Transfers:					
Stage 1 to Stage 2	(3,371)	3,371	-	-	-
Stage 1 to Stage 3	(794)	-	794	-	-
Stage 2 to Stage 1	472	(472)	-	-	-
Stage 2 to Stage 3	-	(3,113)	3,113	-	-
Stage 3 to Stage 1	105	-	(105)	-	-
Stage 3 to Stage 2	-	293	(293)	-	-
Assets derecognized or repaid	(196,871)	(204)	(769)	-	(197,844)
New assets originated:					
Remained in Stage 1	227,918	-	-	-	227,918
Moved to Stages 2 and 3	-	1,723	2,079	-	3,802
Write-offs	-	-	(287)	-	(287)
	27,459	1,598	4,532	-	33,589
Balance at end of year	394,872	5,435	13,984	20	414,311
Consumer loans					
Balance at beginning of year	89,533	9,361	8,882	-	107,776
Transfers:					
Stage 1 to Stage 2	(2,303)	2,303	-	-	-
Stage 1 to Stage 3	(1,202)	-	1,202	-	-
Stage 2 to Stage 1	6,082	(6,082)	-	-	-
Stage 2 to Stage 3	-	(2,406)	2,406	-	-
Stage 3 to Stage 1	2,505	-	(2,505)	-	-
Stage 3 to Stage 2	-	655	(655)	-	-
Assets derecognized or repaid	(30,895)	(766)	(1,895)	-	(33,556)
New assets originated:					
Remained in Stage 1	54,474	-	-	-	54,474
Moved to Stages 2 and 3	-	621	288	-	909
Write-offs	-	-	(736)	-	(736)
	28,661	(5,675)	(1,895)	-	21,091
Balance at end of year	118,194	3,686	6,987	-	128,867
Credit cards					
Balance at beginning of year	47,713	752	1,915	-	50,380
Transfers:					
Stage 1 to Stage 2	(901)	901	-	-	-
Stage 1 to Stage 3	(1,472)	-	1,472	-	-
Stage 2 to Stage 1	115	(115)	-	-	-
Stage 2 to Stage 3	-	(125)	125	-	-
Stage 3 to Stage 1	69	-	(69)	-	-
Stage 3 to Stage 2	-	46	(46)	-	-
Assets derecognized or repaid	(122,151)	(600)	(547)	-	(123,298)
New assets originated:					
Remained in Stage 1	147,491	-	-	-	147,491
Moved to Stages 2 and 3	-	388	2,781	-	3,169
Write-offs	-	-	(3,075)	-	(3,075)
	23,151	495	641	-	24,287
Balance at end of year	70,864	1,247	2,556	-	74,667
Balance forwarded	583,930	10,368	23,527	20	617,845

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
(Amounts in PHP)					
Balance carried forward	583,930	10,368	23,527	20	617,845
*Leasing and finance receivables**					
Balance at beginning of year	1,141	1,286	806	-	3,233
Transfers:					
Stage 1 to Stage 2	(472)	472	-	-	-
Stage 2 to Stage 1	14	(14)	-	-	-
Stage 3 to Stage 1	12	-	(12)	-	-
Assets derecognized or repaid	(696)	(934)	(241)	-	(1,871)
New assets originated:					
Remained in Stage 1	649	-	-	-	649
Moved to Stages 2 and 3	-	406	456	-	862
Write-offs	-	-	(72)	-	(72)
	(493)	(70)	131	-	(432)
Balance at end of year	648	1,216	937	-	2,801
*Micro and small business loans***					
Balance at beginning of year	982	67	186	-	1,235
Transfers:				-	
Stage 1 to Stage 2	(29)	29	-	-	-
Stage 1 to Stage 3	(29)	-	29	-	-
Stage 2 to Stage 1	5	(5)	-	-	-
Stage 2 to Stage 3	-	(2)	2	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	8	(8)	-	-
Assets derecognized or repaid	(671)	(46)	(38)	-	(755)
New assets originated:					
Remained in Stage 1	735	-	-	-	735
Moved to Stages 2 and 3	-	28	42	-	70
Write-offs	-		(9)	-	(9)
	12	12	17	-	41
Balance at end of year	994	79	203	-	1,276
Other receivables					
Balance at beginning of year	29,187	494	1,872	-	31,553
Transfers:				-	
Stage 1 to Stage 2	(84)	84		-	-
Stage 1 to Stage 3	(80)	-	80	-	-
Stage 2 to Stage 1	68	(68)	-		-
Stage 2 to Stage 3	-	(246)	246	-	-
Stage 3 to Stage 1	-	21	(21)	-	-
Assets derecognized or repaid	(2,186)	(232)	(693)	-	(3,111)
New assets originated:					
Remained in Stage 1	16,145	-	-	-	16,145
Moved to Stages 2 and 3	-	291	524	-	815
	13,863	(150)	136	-	13,849
Balance at end of year	43,050	344	2,008	-	45,402
	628,622	12,007	26,675	20	667,324

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
(Amounts in PHP)					
2024					
Corporate loans					
Balance at beginning of year	393,983	4,623	13,100	-	411,706
Transfers:					
Stage 1 to Stage 2	(1,213)	1,213	-	-	-
Stage 1 to Stage 3	(2,663)	-	2,663	-	-
Stage 2 to Stage 1	266	(266)	-	-	-
Stage 2 to Stage 3	-	(1,609)	1,609	-	-
Stage 3 to Stage 2	-	709	(709)	-	-
Assets derecognized or repaid	(228,997)	(1,323)	(1,254)	-	(231,574)
New assets originated:					
Remained in Stage 1	233,667	-		-	233,667
Moved to Stages 2 and 3	-	3,870	1,416	-	5,286
	1,060	2,594	3,725	-	7,379
Balance at end of year	**395,043**	**7,217**	**16,825**	-	**419,085**
Consumer loans					
Balance at beginning of year	118,194	3,686	6,987	-	128,867
Transfers:					
Stage 1 to Stage 2	(3,409)	3,409	-	-	-
Stage 1 to Stage 3	(2,836)	-	2,836	-	-
Stage 2 to Stage 1	1,123	(1,123)	-	-	-
Stage 2 to Stage 3	-	(1,276)	1,276	-	-
Stage 3 to Stage 2	-	311	(311)	-	-
Assets derecognized or repaid	(6,477)	(428)	(3,499)	-	(10,404)
New assets originated:					
Remained in Stage 1	55,086		-	-	55,086
Moved to Stages 2 and 3		710	722	-	1,432
Write-offs	-	-	(108)		(108)
	43,487	1,603	916	-	46,006
Balance at end of year	**161,681**	**5,289**	**7,903**	-	**174,873**
Credit cards					
Balance at beginning of year	70,864	1,247	2,556	-	74,667
Transfers:					
Stage 1 to Stage 2	(1,283)	1,283	-	-	-
Stage 1 to Stage 3	(4,208)	-	4,208	-	-
Stage 2 to Stage 1	144	(144)	-	-	-
Stage 2 to Stage 3	-	(1,053)	1,053	-	-
Stage 3 to Stage 1	68	-	(68)	-	-
Stage 3 to Stage 2	-	64	(64)	-	-
Assets derecognized or repaid	(170,466)	(931)	(779)	-	(172,176)
New assets originated:					
Remained in Stage 1	209,526	-	-	-	209,526
Moved to Stages 2 and 3	-	1,348	2,060	-	3,408
Write-offs	-	-	(4,972)	-	(4,972)
	33,781	567	1,438	-	35,786
Balance at end of year	**104,645**	**1,814**	**3,994**	-	**110,453**
Balance forwarded	**661,369**	**14,320**	**28,722**	-	**704,411**

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
(Amounts in PHP)					
Balance carried forward	**661,369**	**14,320**	**28,722**	**-**	**704,411**
Other receivables					
Balance at beginning of year	42,401	344	1,717	-	44,462
Transfers:					
Stage 1 to Stage 2	(620)	620	-	-	-
Stage 1 to Stage 3	(68)	-	68	-	-
Stage 2 to Stage 1	26	(26)	-	-	-
Stage 2 to Stage 3	-	(465)	465	-	-
Stage 3 to Stage 1	-	58	(58)	-	-
Assets derecognized or repaid	(3,964)	(517)	(813)	-	(5,294)
New assets originated:					
Remained in Stage 1	10,166	-	-	-	10,166
Moved to Stages 2 and 3	-	869	647	-	1,516
	5,540	539	309	-	6,388
Balance at end of year	**47,941**	**883**	**2,026**	**-**	**50,850**
	709,310	**15,203**	**30,748**	**-**	**755,261**
2023					
Corporate loans					
Balance at beginning of year	364,131	3,837	9,452	-	377,420
Transfers:					
Stage 1 to Stage 2	(3,371)	3,371	-	-	-
Stage 1 to Stage 3	(787)	-	787	-	-
Stage 2 to Stage 1	434	(434)	-	-	-
Stage 2 to Stage 3	-	(3,113)	3,113	-	-
Stage 3 to Stage 1	94	-	(94)	-	-
Stage 3 to Stage 2	-	293	(293)	-	-
Assets derecognized or repaid	(194,253)	(202)	(1,042)	-	(195,497)
New assets originated:					
Remained in Stage 1	227,735	-	-	-	227,735
Moved to Stages 2 and 3	-	871	1,177	-	2,048
	29,852	786	3,648	-	34,286
Balance at end of year	393,983	4,623	13,100	-	411,706
Balance Forwarded	393,983	4,623	13,100	-	411,706

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit – impaired	Total
(Amounts in PHP)					
Balance carried forward	393,983	4,623	13,100	-	411,706
Consumer loans					
Balance at beginning of year	89,533	9,361	8,882	-	107,776
Transfers:					
Stage 1 to Stage 2	(2,303)	2,303	-	-	-
Stage 1 to Stage 3	(1,202)	-	1,202	-	-
Stage 2 to Stage 1	6,082	(6,082)	-	-	-
Stage 2 to Stage 3	-	(2,406)	2,406	-	-
Stage 3 to Stage 1	2,505	-	(2,505)	-	-
Stage 3 to Stage 2	-	655	(655)	-	-
Assets derecognized or repaid	(30,895)	(766)	(1,895)	-	(33,556)
New assets originated:					
Remained in Stage 1	54,474	-	-	-	54,474
Moved to Stages 2 and 3	-	621	288	-	909
Write-offs	-	-	(736)	-	(736)
	28,661	(5,675)	(1,895)	-	21,091
Balance at end of year	118,194	3,686	6,987	-	128,867
Credit cards					
Balance at beginning of year	47,713	752	1,915	-	50,380
Transfers:					
Stage 1 to Stage 2	(901)	901	-	-	-
Stage 1 to Stage 3	(1,472)	-	1,472	-	-
Stage 2 to Stage 1	115	(115)	-	-	-
Stage 2 to Stage 3	-	(125)	125	-	-
Stage 3 to Stage 1	69	-	(69)	-	-
Stage 3 to Stage 2	-	46	(46)	-	-
Assets derecognized or repaid	(122,151)	(600)	(547)	-	(123,298)
New assets originated:					
Remained in Stage 1	147,491	-	-	-	147,491
Moved to Stages 2 and 3	-	388	2,781	-	3,169
Write-offs	-	-	(3,075)	-	(3,075)
	23,151	495	641	-	24,287
Balance at end of year	70,864	1,247	2,556	-	74,667
Balance forwarded	583,041	9,556	22,643	-	615,240

(Amounts in PHP)	Parent Company Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	583,041	9,556	22,643	-	615,240
Other receivables					
Balance at beginning of year	28,589	461	1,676	-	30,726
Transfers:					
Stage 1 to Stage 2	(126)	126	-	-	-
Stage 1 to Stage 3	(92)	-	92	-	-
Stage 2 to Stage 1	96	(96)	-	-	-
Stage 2 to Stage 3	-	(293)	293	-	-
Stage 3 to Stage 1	3	-	(3)	-	-
Stage 3 to Stage 2	-	168	(168)	-	-
Assets derecognized or repaid	(2,573)	(232)	(825)	-	(3,630)
New assets originated:					
Remained in Stage 1	16,504	-	-	-	16,504
Moved to Stages 2 and 3	-	210	652	-	862
	13,812	(117)	41	-	13,736
Balance at end of year	42,401	344	1,717	-	44,462
	625,442	9,900	24,360	-	659,702

The amounts of "Transfers to" include the changes in the ECL on the exposures transferred from one stage to another during the year.

The Group's receivables arising from salary loans are generally fully recoverable as those are collected through salary deductions, except for those receivables from resigned employees which were provided with full ECL allowance.

b) Investment in debt securities at amortized cost and at FVOCI

(Amounts in PHP)	Group HTC	Group FVOCI	Parent Company HTC	Parent Company FVOCI
2024				
Balance at beginning of year	236,688	78,533	235,803	78,417
Assets purchased	26,330	391,742	24,245	391,718
Assets derecognized	(2,674)	(315,409)	(629)	(315,386)
Fair value loss	-	(378)	-	(373)
Balance at end of year	**260,344**	**154,488**	**259,419**	**154,376**
2023				
Balance at beginning of year	252,545	111,314	251,399	111,205
Assets purchased	16,099	442,380	14,092	442,360
Assets derecognized	(31,956)	(476,584)	(29,688)	(476,576)
Fair value gain	-	1,423	-	1,428
	236,688	78,533	235,803	78,417

c) *Loan Commitments*

(Amounts in PHP)	Group and Parent Company Stage 1	Stage 2	Stage 3	Total
2024				
Corporate loans				
Balance at beginning of year	8,282	3	-	8,285
Transfer:				
Stage 1 to Stage 2	(5)	5	-	-
Assets derecognized or repaid	(6,417)	-	-	(6,417)
New assets originated:				
Remained in Stage 1	5,139	-	-	5,139
Moved to Stage 2	-	2	-	2
Balance at end of year	6,999	10	-	7,009
Credit cards				
Balance at beginning of year	23,718	-	-	23,718
New assets originated – Remained in Stage 1	6,928	-	-	6,928
	6,928	-	-	6,928
Balance at end of year	30,646	-	-	30,646
	37,645	10	-	37,655

(Amounts in PHP)	Group and Parent Company Stage 1	Stage 2	Stage 3	Total
2023				
Corporate loans				
Balance at beginning of year	8,930	-	-	8,930
Assets derecognized or repaid	(7,043)	-	-	(7,043)
New assets originated –				
Remained in Stage 1	6,395	-	-	6,395
Moved to Stage 2	-	3	-	3
Balance at end of year	8,282	3	-	8,285
Credit Cards				
Balance at beginning of year	9,607	-	-	9,607
New assets originated – Remained in Stage 1	14,111	-	-	14,111
Balance at end of year	23,718	-	-	23,718
	32,000	3	-	32,003

4.4.10 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2024 and 2023.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31 are presented below.

	Group			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
(Amounts in PHP)				
2024				
Real properties	149,001	6,473	10,336	165,810
Chattel	78,222	3,405	5,996	87,623
Hold-out deposits	4,401	7	28	4,436
Equity securities	6,570	270	248	7,088
Others	353,287	1,927	14,647	369,861
	591,481	**12,082**	**31,255**	**634,818**
2023				
Real properties	143,141	4,320	9,761	157,222
Chattel	139,159	3,287	5,297	147,743
Hold-out deposits	6,890	9	10	6,909
Equity securities	6,121	9	248	6,378
Others	185,498	2,493	10,874	198,865
	480,809	10,118	26,190	517,117

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
(Amounts in PHP)				
2024				
Real properties	145,607	6,389	9,576	161,572
Chattel	77,029	3,245	4,785	85,059
Hold-out deposits	4,338	5	21	4,364
Equity securities	6,570	270	248	7,088
Others	351,424	1,691	13,795	366,910
	584,968	**11,600**	**28,425**	**624,993**
2023				
Real properties	137,841	3,996	9,471	151,308
Chattel	136,681	2,903	3,700	143,284
Hold-out deposits	6,797	6	4	6,807
Equity securities	6,121	9	248	6,378
Others	182,520	2,324	9,887	194,731
	469,960	9,238	23,310	502,508

The Group and the Parent Company have recognized certain properties arising from foreclosures in settlement of loan account amounting to P972 and P891, respectively, in 2024 and P675 and P614, respectively, in 2023.

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

There were no changes in the Group and the Parent Company's collateral policies in 2024 and 2023, except for the cessation of accepting dacion in payment in 2024 as a result of the Parent Company's change in ownership structure (see Note 1.1).

4.4.11 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Group

In certain cases, the Group modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Group is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

The outstanding balance of loans modified under the Bank's restructuring programs in 2024 and 2023 amounted to P22,638 and P24,424, respectively, for the Group, and P21,678 and P23,429, respectively for the Parent Company.

The following tables provide a summary of the outstanding balance of modified loans resulting from the financial reliefs provided by the Group as of December 31:

	Group		**Parent Company**	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Stage 1 (Performing)				
Corporate	**5,696**	9,463	**5,696**	9,463
Consumer	**2,956**	4,062	**2,956**	4,062
Credit card	**1,169**	958	**1,169**	958
Leasing and finance	**73**	437	-	-
Microfinance and small business	**8**	9	-	-
	9,902	14,929	**9,821**	14,483
Stage 2 (Underperforming)				
Corporate	**4,205**	2,227	**4,205**	2,227
Consumer	**789**	992	**789**	992
Credit card	-	-	-	-
Leasing and finance	**5**	156	-	-
Microfinance and small business	**10**	21	-	-
	5,009	3,396	**4,994**	3,219

	Group		Parent Company	
	2024	2023	**2024**	2023
Stage 3 (Nonperforming)				
Corporate	**4,930**	3,533	**4,930**	3,533
Consumer	**1,829**	2,115	**1,829**	2,115
Credit card	**104**	79	**104**	79
Leasing and finance	**777**	279	-	-
Microfinance and small business	**87**	93	-	-
	7,727	6,099	**6,863**	5,727

(b) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the performance of the financial asset subsequent to its modification.

The Group may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Group continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

4.4.12 Write-offs

The Group and the Parent Company write 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 Group and Parent Company'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 Group and Parent Company may write off financial assets that are still subject to enforcement activity. The outstanding amounts of such assets written off in 2024 and 2023 amounted to P5,104 and P4,179, respectively, for the Group, and P5,080 and P3,811, respectively, for the Parent Company. The Group and the Parent Company still seek to recover amounts legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

4.4.13 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company adopted a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors.

4.4.14 Analysis on ECL Measurement

Set out below are the changes to the Group's 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 Group's economic variable assumptions:

	Change in MEVs		Impact on ECL	
	Upside Scenario	**Downside Scenario**	**Upside Scenario**	**Downside Scenario**
(Amounts in PHP)				
2024				
Credit card receivables			**(5,498)**	**6,334**
GDP	**+ 7.00%**	**- 0.50%**		
CPI	**- 131.3**	**+ 138.36**		
Unemployment rate	**- 1.00%**	**+ 12.00%**		
Corporate loans			**(310)**	**101**
Inflation rate	**- 0.50%**	**+ 5.00%**		
91D TD bill	**- 0.50%**	**+ 5.00%**		
Consumer loans:				
Salary loans			**(319)**	**786**
Unemployment rate	**- 1.00%**	**+ 12.00%**		
USD-Php exchange rate	**- 55.50**	**+ 69.00**		
Inflation rate	**-2.20%**	**+ 7.70%**		
Bank lending rate	**-5.65%**	**+ 11.15%**		
Housing loans			**(14)**	**78**
GDP	**+ 7.00%**	**- 0.50%**		
CPI	**- 131.3**	**+ 138.36**		
Unemployment rate	**- 3.00%**	**+ 8.00%**		
Auto loans			**(14)**	**251**
GDP	**+ 7.00%**	**- 0.50%**		
CPI	**- 131.3**	**+ 138.36**		
Unemployment rate	**- 3.00%**	**+ 8.00%**		
Personal loans			**(442)**	**665**
GDP	**+ 7.00%**	**- 0.50%**		
CPI	**- 131.3**	**+ 138.36**		
Unemployment rate	**- 1.00%**	**+ 12.00%**		

(Amount in PHP)	Change in MEVs		Impact on ECL	
	Upside Scenario	Downside Scenario	Upside Scenario	Downside Scenario
2023				
Credit card receivables			(3,748)	4,372
GDP	+ 7.00%	- 0.50%		
CPI	- 123.70	+ 124.30		
Unemployment rate	- 2.00%	+ 12.00%		
Corporate loans			(234)	197
Inflation rate	- 0.50%	+ 5.00%		
91D TD bill	- 0.50%	+ 5.00%		
Consumer loans:				
Salary loans			(128)	303
Unemployment rate	- 2.00%	+ 12.00%		
USD-Php exchange rate	- 52.50	+ 66.00		
Inflation rate	-3.60%	+ 9.10%		
Bank lending rate	-5.70%	+ 11.20%		
Housing loans			(505)	564
GDP	+ 7.00%	- 0.50%		
CPI	- 124.30	+ 130.27		
Unemployment rate	- 4.00%	+ 12.00%		
Auto loans			(971)	1,164
GDP	+ 7.00%	- 0.50%		
CPI	- 124.30	+ 130.27		
Unemployment rate	- 4.00%	+ 12.00%		
Personal loans			(122)	145
GDP	+ 7.00%	- 0.50%		
CPI	- 123.70	+ 124.30		
Unemployment rate	- 2.00%	+ 12.00%		

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Operational Risk Management Division (ORMD) assists management in meeting its responsibility to understand and manage operational risk exposures and to ensure consistent application of operational risk management tools across the Group.

The ORMD applies a number of techniques to efficiently manage operational risks. Among these are as follows:

- Each major business line has an embedded designated Deputy Operational Risk Officer (DORO) who acts as a point person for the implementation of various operational risk tools. The DOROs attend quarterly DORO forums conducted by the ORMD to keep them up-to-date with different operational risk issues, challenges and initiatives;

- With ORMD's bottom up Risk Control Self-Assessment (RCSA) process, which is conducted at least annually, material operational processes and controls are assessed and examined to the Bank's overall risks and controls. The result of said self-assessment exercise also serves as one of the inputs in identifying specific key risk indicators (KRIs) and Control Sample Tests (CSTs);

- KRIs are used to monitor the operational risk profile of the Group and of each business unit, and alert management of impending problems in a timely fashion;

- CSTs is for the business units to self-assure against key process controls, effective implementation and execution of controls in its day-to-day activities. CSTs are conducted periodically to detect control failures and address any process weaknesses in a timely manner before control failures can be systemic.

- Internal loss information is collected, reported, and utilized to model operational risk; and,

- The ORMD, as part of the clearing house, reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

Operational Risk Management, as it relates to capital adequacy, is currently under Basic Indicator Approach (see Note 5.2).

The Group has an institutional Business Continuity Plan (BCP) based on several crisis severity levels which is tested at least annually and updated for any major changes in systems and procedures. Central to the Group's BCP is a disaster recovery plan to address the continued functioning of systems, recovery of critical data, and contingency processing requirements in the event of a disaster.

4.5.1 Reputation Risk

Reputation risk is the risk to earnings, capital and liquidity arising from negative public opinion. This affects the Group's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Group to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels, or processes may generate adverse public opinion such that it seriously affects the Group's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The RCBC Group has very low tolerance for engaging in any business activity where foreseeable reputational risk or damage has not been considered and/or mitigated. The Group shall protect its reputation to ensure that there is no material damage to the Group.

The management of reputational risk in the Bank is guided by its Reputational Risk Management Framework in accordance with BSP Circular 1114. The Bank's Reputational Risk Management Framework (RRMF) is in place in order to have an enterprise-wide approach and scope of implementation, beyond the assessment of reputational risk that is focused on customer complaints. While growth is projected to emanate from various drivers, the Bank recognizes that potential failure in the same ushers in a potential damage to reputation.

4.5.2 Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Group's operations and financial reporting. In addition, the Group faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Group to suffer financial loss due to mid-stream changes in regulatory regime affecting current position and/or strategy. Compliance Risk is the risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.

The Group's Compliance Program, the design and implementation of which is overseen and coordinated by the Chief Compliance Officer (CCO), is the primary control process for regulatory and compliance risk issues. The CCO is committed to safeguard the integrity of the Group by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing an, and reporting compliance findings to the ACC and the BOD.

4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365, R.A.11521 in March 2003, June 2012 and February 2021, respectively. Together with the Terrorism Financing Prevention and Suppression Act (TFPSA) which was passed in June 2012 by virtue of RA No. 10168, and Anti-Terrorism Act of 2020 or R.A. 11479 these laws provide the regulatory framework for the Philippine Anti-Money Laundering and Terrorist Financing Prevention regulations. The Anti-Money Laundering Council is the financial intelligence unit tasked to implement AMLA, as amended. It is also the government agency that issues implementing guidelines to the AMLA and the TFPSA.

RCBC, as a BSP-supervised covered person, is subject to the Anti-Money Laundering and Combatting the Financing of Terrorism Regulations under Part Nine of the Manual of Regulations for Banks (MORB). Recent amendments to the said regulations were covered by BSP Circular Nos. 950 and 1022.

RCBC's Anti-Money Laundering and Terrorism Financing Prevention Program (MTPP) is aligned with the foregoing laws, rules, and regulations, and follows a risk-based approach in identifying, assessing, and mitigating money laundering, terrorist financing, and proliferation financing risks. It includes the policies, procedures, and controls that are designed to prevent, detect, and deter money laundering and terrorist financing, proliferation financing, and other financial crimes.

Some of these controls include the following:

- Delineation of the sales and the service functions of the first line of defense. The Sales function is focused on marketing and sales, relationship management, cross-selling, credit-related matters and documentation, and loan-related referrals and documentation; while the Service function is focused on BC operations such as: (a) customer servicing, which includes know your customer (KYC) and account opening, account maintenance and tellering, cash and vault management and ATM servicing, (b) BC administration, (c) customer experience management such as inquiries, feedback, and problem resolution, and (d) compliance and audit.

- The Group also created middle offices under the Branch Operations and Control Segment, comprised of Middle Office Support Division (MOSD) and Branch Control Division (BCD), tasked to review and validate KYC documents. The MOSD ensures the uniqueness of Customer Information Files and accuracy of information captured in the Customer Relationship Management(CRM). It also reviews the completeness of account opening documents. The BCD, on the other hand, ensures the proper implementation of KYC, the performance of independent enhanced due diligence based on customer risk profile, and monitoring adherence of BCs to standard operating procedures. It also acts as the additional control layer to track exceptions and decides on dispositions, recommends sanctions or additional trainings for BCs, and recommends process improvements. The key processes of the BCD are KYC, exceptions reporting, and quality assurance.

- Use of technology in automating compliance activities such as client risk profiling, watch list and sanctions screening, transaction monitoring, and regulatory reporting. The Bank has also initiated the use of proactive compliance analytics and investigation to gain more actionable insights and typologies. As recent updates, the Bank has enhanced its sanctions policy to ensure the prohibition of dealing with "designated" individuals or entities. It has updated its policy regulating the onboarding and monitoring of transactions with Designated-Non Financial Businesses and Professions (DNFBPs) customers.

For the controls to remain effective, the RCBC Group assesses its key exposures to ML (money laundering)/TF (terrorist financing)/PF (proliferation financing) risks by performing an Institutional ML/TF/PF Risk Assessment (IRA) focusing on evaluating the inherent ML/TF/PF risks presented by the Bank's business activities and the controls in place to mitigate the inherent ML/TF/PF risks so as to determine the overall residual risks. The institutional risk assessment is conducted at least once every two (2) years, or as often as the Board or senior management may direct, depending on the level of risks identified in the previous risk assessment, or other relevant AML/Countering Financing of Terrorism developments that may have an impact on the covered person's operations.

4.7 Impact of London Interbank Offered Rate (LIBOR) Reform

In 2022 and 2023, the Group has transitioned its LIBOR contracts which includes swaps that were transitioned under the International Swaps and Derivatives Association (ISDA) protocols.

The Group utilizes the Interbank Offered Rates (IBOR) Fallback Rates from Bloomberg for legacy deals while Overnight Index Swap (OIS) Rates as specified in the ISDA protocols are used for normal Interest Rate Swaps since LIBOR cessation in June 2023.

The Group adopted CME Term SOFR for new loans beginning 2022. Loan documentations were reviewed for consistency with the new benchmark. As of July 2023, the necessary updates to internal systems and processes have been implemented.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

The Group's lead regulator, the BSP, sets and monitors the capital requirements of the Group.

In implementing the current capital requirements, the BSP requires the Group to maintain a prescribed ratio of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk computed based on BSP-prescribed formula provided under its circulars.

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

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, which requires the Group to maintain at all times the following:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P400, P300 and P300, respectively.

In computing for the capital adequacy ratio (CAR), the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital comprised of CET1 and Additional Tier 1 (AT1) capital, and, (ii) Tier 2 Capital, defined as follows and are subject to deductions as defined in relevant regulations:

(a) CET1 Capital includes the following:

(i) paid-up common stock;
(ii) common stock dividends distributable;
(iii) additional paid-in capital;
(iv) deposit for common stock subscription;
(v) retained earnings;

(vi) undivided profits;
(vii) other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
(viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

(i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular No. 781;
(ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular No. 781;
(iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular No. 781;
(iv) additional paid-in capital resulting from issuance of AT1 capital;
(v) deposit for subscription to AT1 instruments; and,
(vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

(i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular No. 781;
(ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular No. 781;
(iii) deposit for subscription of Tier 2 capital;
(iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB) of the BSP;
(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

In the calculation of Risk-based CAR, the total Qualifying Capital is expressed as a percentage of Total Risk-Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by CRM.

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular No. 538, *Revised Risk-Based Capital Adequacy Framework*.

BSP Circular No. 856, *Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III*, covers the implementing guidelines on the framework for dealing with domestic systemically important banks (D-SIBs) in accordance with the Basel III standards. Banks identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

The Group and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as reported to the BSP follows:

(Amounts in PHP)	**Group**	**Parent Company**
2024:		
Tier 1 Capital		
CET 1	118,685	114,963
AT1	14,465	14,465
	133,150	129,428
Tier 2 Capital	7,921	7,830
Total Qualifying Capital	**141,071**	**137,258**
Total Risk – Weighted Assets	**877,395**	**865,397**
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk-weighted assets	**16.08%**	**15.86%**
Tier 1 Capital Ratio	**15.18%**	**14.96%**
Total CET 1 Ratio	**13.53%**	**13.28%**
2023:		
Tier 1 Capital		
CET 1	115,046	111,616
AT1	14,466	14,466
	129,512	126,082
Tier 2 Capital	6,586	6,522
Total Qualifying Capital	136,098	132,604
Total Risk – Weighted Assets	783,300	771,479
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk-weighted assets	17.37%	17.19%
Tier 1 Capital Ratio	16.53%	16.34%
Total CET 1 Ratio	14.69%	14.47%

5.2 Internal Capital Adequacy Assessment and Pillar 2 Risk-Weighted Assets

In January 2009, the BSP issued Circular No. 639 on the ICAAP and Supervisory Review Process covering universal and commercial banks on a group-wide basis. As a supplement to BSP Circular No. 538 on the Risk-Based Capital Adequacy Framework, ICAAP sets out the following principles:

(a) Banks must have a process for assessing capital adequacy relative to their risk profile, operating environment, and strategic/business plans;

(b) The Bank's ICAAP is the responsibility of the BOD, must be properly documented and approved and with policies and methodologies integrated into banking operations;

(c) The Bank's ICAAP should address other material risks – Pillar 2 risks – in addition to those covered by Pillar 1, with risk measurement methodologies linked to the assessment of corresponding capital requirement both on a BAU and stressed scenario;

(d) The minimum CAR prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and,

(e) The Bank's ICAAP document must be submitted to the BSP every March 31 of each year.

The Group identified the following Pillar 2 risks as material to its operations, and consequently set out methodologies to quantify the level of capital that it must hold.

(a) *Credit Risk Concentration* – The Group has so far limited its analysis to credit risk concentration arising from the uneven sector distribution of the Group's credit exposures. Aside from using a simplified application of the HHI, concentration is estimated using the CCI. The capital charge is estimated by calculating the change in the Economic Capital (EC) requirement of the credit portfolio as an effect of credit deterioration in the largest industry exposure.

(b) *IRRBB* – It is the current and prospective negative impact on earnings and capital arising from interest rate shifts. The Group IRRBB estimates as its NII-at-risk, and accordingly deducts the same from regulatory qualifying capital. Stressed IRRBB is calculated by applying the highest observed market volatilities over a determined timeframe.

(c) *Liquidity Risk* – The Group estimates its liquidity risk under BAU scenario using standard gap analysis. Stressed liquidity risk on the other hand assumes a repeat of a historical liquidity stress, and estimates the impact if the Group were to partially defend its deposits and partially pay-off by drawing from its reserve of liquid assets.

(d) *IT Risk* – It is the current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats. The Group treats this risk as forming part of Operational Risk.

(e) *Compliance Risk* – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. For BAU scenario, the Group estimates compliance risk charge from historical fines and penalties as the worst-case loss determined via a frequency-severity analysis of each penalty type. The resulting compliance risk charge calculation is likewise directly deducted from earnings.

(f) *Strategic Business Risk* – It is the current and prospective negative impact on earnings and capital arising from adverse business decisions, improper implementation, and failure to respond to industry changes. The Group treats strategic business risk as a catch-all risk, and expresses its estimate as a cap on additional risk-weighted assets given other risks and the desired level of capital adequacy. The Group maintains that the assessment of strategic risk is embedded in the budget of the Group. Its capital impact therefore on a BAU case is already expressed in the amount of risk projected to be taken on in the forecast years. However, the Group does recognize the need to set up processes that would enable to put a number to the risk incurred by going into specific strategies.

(g) *Reputation Risk* – From the adoption of a theoretical measure, the Group amended its approach to reputation risk in 2011 by adopting instead a reputation risk monitoring and reporting process, run primarily by its Marketing Committee. The measurement of reputation risk under stress is folded into the Group's assessment of stressed liquidity risk.

5.3 Basel III Leverage Ratio

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% on a solo and consolidated basis and shall be complied with at all times. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 per BSP Circular No. 990, *Amendments to the Basel III Leverage Ratio Framework*, issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III leverage ratio intends to restrict the build-up of leverage to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure. Exposure measure includes: on-balance sheet exposures, securities financing transactions exposures and off-balance sheet.

The Group and Parent Company's Basel III leverage ratio as reported to the BSP are as follows:

(Amounts in PHP)	**Group**	**Parent Company**
2024:		
Tier 1 Capital	**133,150**	**129,428**
Exposure measure	**1,492,891**	**1,481,740**
	8.92%	**8.73%**
2023:		
Tier 1 Capital	129,512	126,082
Exposure measure	1,326,242	1,314,888
	9.77%	9.59%

5.4 Liquidity Coverage Ratio and Net Stable Funding Ratio

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on liquidity coverage ratio (LCR) and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows, which should not be lower than 100.00%.

To promote the short-term resilience of the liquidity risk profile, the Bank maintains adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least 30 calendar days, which would give time for corrective actions to be taken by the Bank management and/or the BSP. Details of the Group's and Parent Company's LCR are summarized below.

	Group		**Parent Company**	
	Total Unweighted Value	**Total Weighted Value**	**Total Unweighted Value**	**Total Weighted Value**
(Amounts in PHP)				
December 31, 2024				
Total stock of HQLA	**447,599**	**440,035**	**444,607**	**437,289**
Expected Net Cash Outflows*	**1,859,531**	**267,132**	**1,860,122**	**267,655**
Liquidity Coverage Ratio		**164.73%**		**163.38%**
December 31, 2023				
Total stock of HQLA	445,894	437,927	443,228	435,553
Expected Net Cash Outflows*	1,459,085	256,891	1,460,162	257,561
Liquidity Coverage Ratio		170.47%		169.11%

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

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular No. 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, 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 Group's liquidity profile.

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

Details of the Group's and Parent Company's Basel III NSFR are summarized in the succeeding page.

(Amounts in PHP)	Group	Parent Company
December 31, 2024		
Available stable funding	**879,877**	**875,392**
Required stable funding	**662,046**	**664,648**
Basel III NSFR	**132.90%**	**131.71%**
December 31, 2023		
Available stable funding	760,231	755,299
Required stable funding	633,006	634,468
Basel III NSFR	120.10%	118.95%

The Bank has complied with the daily minimum regulatory requirement of 100% for both ratios beginning in 2019.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following tables summarize the carrying amounts and corresponding fair values of financial assets and financial liabilities presented in the statements of financial position.

	Group			
	2024		2023	
(Amounts in PHP)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**185,369**	**185,369**	250,108	250,108
Investment securities - net	**260,222**	**236,267**	236,527	213,708
Loans and receivables – net	**709,930**	**732,498**	622,149	640,850
Other resources - net	**1,688**	**1,688**	1,459	1,459
	1,157,209	**1,155,822**	1,110,243	1,106,125
At fair value:				
Investment securities at FVTPL	**10,234**	**10,234**	11,778	11,778
Investment securities at FVOCI	**158,630**	**158,630**	82,437	82,437
	168,864	**168,864**	94,215	94,215
	1,326,073	**1,324,686**	1,204,458	1,200,340
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**1,022,794**	**1,020,115**	956,712	929,590
Bills payable	**86,616**	**86,616**	50,858	50,858
Bonds payable	**26,935**	**43,663**	34,939	34,356
Accrued interest and other expenses	**10,366**	**10,366**	10,745	10,745
Other liabilities	**50,312**	**50,312**	26,990	26,990
	1,197,023	**1,211,072**	1,080,244	1,052,539
At fair value:				
Derivative financial liabilities	**3,635**	**3,635**	1,690	1,690
	1,200,658	**1,214,707**	1,081,934	1,054,229

	Parent Company			
	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
(Amounts in PHP)				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**182,670**	**182,670**	247,941	247,941
Investment securities - net	**259,387**	**235,429**	235,732	213,097
Loans and receivables – net	**703,964**	**725,037**	615,901	633,825
Other resources - net	**1,669**	**1,669**	1,457	1,457
	1,147,690	**1,144,805**	1,101,031	1,096,320
At fair value:				
Investment securities at FVTPL	**9,525**	**9,525**	10,954	10,954
Investment securities at FVOCI	**157,954**	**157,954**	81,757	81,757
	167,479	**167,479**	92,711	92,711
	1,315,169	**1,312,284**	1,193,742	1,189,031
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**1,022,737**	**1,020,060**	957,369	930,262
Bills payable	**80,928**	**80,928**	43,957	43,957
Bonds payable	**26,935**	**43,663**	34,939	34,356
Accrued interest and other expenses	**11,312**	**11,312**	10,475	10,475
Other liabilities	**49,437**	**49,437**	26,218	26,218
	1,191,349	**1,205,400**	1,072,958	1,045,268
At fair value –				
Derivative financial liabilities	**3,635**	**3,635**	1,690	1,690
	1,194,984	**1,209,035**	1,074,648	1,046,958

Except for investment securities at amortized cost, deposit liabilities, loans and receivables, and bonds payable with fair value disclosed different from their carrying amounts, management considers that the carrying amounts of other financial assets and financial liabilities presented above which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Group and Parent Company's investment securities at amortized cost and other financial assets and liabilities measured at fair value on a recurring basis are determined based on the procedures and methodologies discussed in Note 7.3.

6.2 *Offsetting Financial Assets and Financial Liabilities*

The following financial assets presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar arrangements:

	Group				
			Related amounts not set off in the statements of financial position		
	Notes	Gross amounts recognized in the statements of financial position	Financial instruments	Collateral received	Net amount
(Amount in PHP)					
December 31, 2024					
Loans and receivables – Receivable from customers	11	**710,634**	**(15,089)**	**-**	**695,545**
Trading and investment securities – Investment securities at amortized cost	10	**260,222**	**(80,523)**	**-**	**179,699**
Due from other banks – Margin deposits	9	**14,569**	**(1,587)**	**-**	**12,982**
Other resources – Margin deposits	15	**214**	**-**	**(214)**	**-**
December 31, 2023					
Loans and receivables – Receivable from customers	11	621,922	(8,153)	-	613,769
Trading and investment securities – Investment securities at amortized cost	10	236,527	(41,597)	-	194,930
Due from other banks – Margin deposits	9	14,892	(763)	-	14,129
Other resources – Margin deposits	15	243	-	(243)	-

	Parent Company				
			Related amounts not set off in the statements of financial position		
	Notes	Gross amounts recognized in the statements of financial position	Financial instruments	Collateral received	Net amount
(Amounts in PHP)					
December 31, 2024					
Loans and receivables – Receivable from customers	11	**704,411**	**(15,089)**	**-**	**689,322**
Trading and investment securities – Investment securities at amortized cost	10	**259,387**	**(80,523)**	**-**	**179,134**
Due from other banks – Margin deposits	9	**14,433**	**(1,587)**	**-**	**12,846**
Other resources – Margin deposits	15	**214**	**-**	**(214)**	**-**
December 31, 2023					
Loans and receivables – Receivable from customers	11	615,240	(8,152)	-	607,088
Trading and investment securities – Investment securities at amortized cost	10	235,732	(41,597)	-	194,135
Due from other banks – Margin deposits	9	14,630	(763)	-	13,867
Other resources – Margin deposits	15	243	-	(243)	-

The following financial liabilities presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar agreements:

		Group			
			Related amounts not set off in the statements of financial position		
(Amounts in PHP)	Notes	**Gross amounts recognized in the statements of financial position**	Financial instruments	Collateral received	**Net amount**
December 31, 2024					
Deposit liabilities	17	**1,022,794**	**(15,089)**	**-**	**1,007,705**
Bills payable	18	**86,616**	**(82,110)**	**-**	**4,506**
Other liabilities – Derivative financial liabilities	21	**3,635**	**-**	**(214)**	**3,421**
December 31, 2023					
Deposit liabilities	17	956,712	(8,153)	-	948,559
Bills payable	18	50,858	(42,360)	-	8,498
Other liabilities – Derivative financial liabilities	21	1,690	-	(243)	1,447

		Parent Company			
			Related amounts not set off in the statements of financial position		
(Amounts in PHP)	Notes	**Gross amounts recognized in the statements of financial position**	Financial instruments	Collateral received	**Net amount**
December 31, 2024					
Deposit liabilities	17	**1,022,737**	**(15,089)**	**-**	**1,007,648**
Bills payable	18	**80,928**	**(80,928)**	**-**	**-**
Other liabilities – Derivative financial liabilities	21	**3,635**	**-**	**(214)**	**3,421**
December 31, 2023					
Deposit liabilities	17	957,369	(8,152)	-	949,217
Bills payable	18	43,957	(42,360)	-	1,597
Other liabilities – Derivative financial liabilities	21	1,690	-	(243)	1,447

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

For purposes of presenting the above information, the related amounts not set off in the statements of financial position pertains to: (a) hold-out deposits and equity securities which serve as the Group's collateral enhancement for certain loans and receivables; (b) collateralized bills payable under sale and repurchase agreements; and, (c) margin deposits which serve as security for outstanding financial market transactions and other liabilities. The financial instruments that can be set off are only disclosed to the extent of the amounts of the Group's obligations to counterparties.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

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

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

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market 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 Group 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. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make 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. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2024 and 2023.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
(Amounts in PHP)				
2024				
Financial assets at FVTPL:				
Government securities	4,952	2,305	-	7,257
Equity securities	778	-	-	778
Corporate debt securities	16	116	-	132
Derivative assets	13	2,054	-	2,067
	5,759	**4,475**	**-**	**10,234**
Financial assets at FVOCI:				
Equity securities	680	871	2,591	4,142
Government securities	66,830	73,567	-	140,397
Corporate debt securities	1,906	12,185	-	14,091
	69,416	**86,623**	**2,591**	**158,630**
Total Resources at Fair Value	**75,175**	**91,098**	**2,591**	**168,864**
Derivative liabilities	**-**	**3,635**	**-**	**3,635**
2023				
Financial assets at FVTPL:				
Government securities	5,066	4,581	-	9,647
Equity securities	783	-	-	783
Corporate debt securities	-	28	-	28
Derivative assets	10	1,310	-	1,320
	5,859	5,919	-	11,778
Financial assets at FVOCI:				
Equity securities	863	561	2,480	3,904
Government securities	28,605	36,826	-	65,431
Corporate debt securities	1,640	11,462	-	13,102
	31,108	48,849	2,480	82,437
Total Resources at Fair Value	36,967	54,768	2,480	94,215
Derivative liabilities	-	1,690	-	1,690

	Parent Company			
	Level 1	**Level 2**	**Level 3**	**Total**
(Amounts in PHP)				
2024				
Financial assets at FVTPL:				
Government securities	4,947	2,305	-	7,252
Corporate debt securities	16	116	-	132
Equity securities	74	-	-	74
Derivative assets	13	2,054	-	2,067
	5,050	**4,475**	**-**	**9,525**
Financial assets at FVOCI:				
Equity securities	299	711	2,568	3,578
Government securities	66,830	73,567	-	140,397
Corporate debt securities	1,794	12,185	-	13,979
	68,923	**86,463**	**2,568**	**157,954**
Total Resources at Fair Value	**73,973**	**90,938**	**2,568**	**167,479**
Derivative liabilities	**-**	**3,635**	**-**	**3,635**
2023				
Financial assets at FVTPL:				
Government securities	5,469	4,146	-	9,615
Corporate debt securities	-	19	-	19
Derivative assets	10	1,310	-	1,320
	5,479	5,475	-	10,954
Financial assets at FVOCI:				
Equity securities	381	557	2,402	3,340
Government securities	28,605	36,826	-	65,431
Corporate debt securities	1,524	11,462	-	12,986
	30,510	48,845	2,402	81,757
Total Resources at Fair Value	35,989	54,320	2,402	92,711
Derivative liabilities	-	1,690	-	1,690

Described below and in the succeeding pages are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) *Government and Corporate Debt Securities*

The fair value of the Group's government and corporate debt securities are categorized within Level 1 and Level 2 of the fair value hierarchy.

Fair values of peso-denominated government debt securities issued by the Philippine government, are 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; hence, categorized as Level 1 or 2.

Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the Philippine Dealing Holdings System or based on the direct reference price per Bloomberg or observed comparables at the end of each reporting period; hence, categorized within Level 1 or Level 2.

(b) Equity Securities

The fair values of certain equity securities classified as financial assets at FVTPL and at FVOCI as of December 31, 2024 and 2023 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1.

Level 2 category includes the Group's investments in proprietary club shares as their prices are not derived from a market considered as active due to lack of trading activities among market participants at the end of each reporting period.

For equity securities which are not traded in an active market and with fair value categorized within Level 3, their fair value is determined through valuation techniques such as net asset value method, or market-based approach (price-to-book value method) using current market values of comparable listed entities.

The price-to-book value method used to value a certain equity security of the Parent Company uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value adjusted by a certain valuation discount. The price-to-book ratio used in the fair value measurement as of December 31, 2024 and 2023 ranges from 0.41:1 to 3.55:1 and from 0.25:1 to 3.72:1, respectively. Increase or decrease in the price-to-book ratio and net asset value would result in higher or lower fair values, all else equal.

For a certain preferred equity security, the Group has used the discounted cash flow applying a discount rate of 6.9% and 7.4%, which is based on the latest available weighted cost of capital of the investee company, in 2024 and 2023, respectively, to determine the present value of future cash flows from dividends or redemption expected to be received from the instrument.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2024 and 2023 is shown below.

	Group		**Parent Company**	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Balance at beginning of year	**2,480**	2,112	**2,402**	2,088
Fair value gains - net	**111**	368	**166**	314
Balance at end of year	**2,591**	2,480	**2,568**	2,402

There were neither transfers between the levels of the fair value hierarchy nor gains or losses recognized in the statements of profit or loss for Level 3 financial assets in 2024 and 2023.

(c) *Derivative Assets and Liabilities*

The fair value of the Group's derivative assets categorized within Level 1 is determined be the current mid-price based on the last trading transaction as defined by third-party market makers.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

7.3 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 Group and Parent Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
(Amounts in PHP)				
2024				
Financial Assets:				
Cash and other cash items	**23,003**	**-**	**-**	**23,003**
Due from BSP	**115,230**	**-**	**-**	**115,230**
Due from other banks	**14,569**	**-**	**-**	**14,569**
Interbank loans	**32,567**	**-**	**-**	**32,567**
Investment securities at amortized cost	**43,938**	**191,491**	**838**	**236,267**
Loans and receivables - net	**-**	**-**	**732,498**	**732,498**
Other resources - net	**-**	**-**	**1,688**	**1,688**
	229,307	**191,491**	**735,024**	**1,155,822**
Financial Liabilities:				
Deposit liabilities	**-**	**-**	**1,020,115**	**1,020,115**
Bills payable	**-**	**-**	**86,616**	**86,616**
Bonds payable	**-**	**43,663**	**-**	**43,663**
Accrued interest and other expense	**-**	**-**	**10,366**	**10,366**
Other liabilities	**-**	**-**	**50,312**	**50,312**
	-	**43,663**	**1,167,409**	**1,211,072**
2023				
Financial Assets:				
Cash and other cash items	19,875	-	-	19,875
Due from BSP	151,762	-	-	151,762
Due from other banks	14,892	-	-	14,892
Loans arising from reverse repurchase agreements	35,799	-	-	35,799
Interbank loans	27,780	-	-	27,780
Investment securities at amortized cost	104,163	109,015	530	213,708
Loans and receivables - net	-	-	640,850	640,850
Other resources - net	-	-	1,459	1,459
	354,271	109,015	642,839	1,106,125
Financial Liabilities:				
Deposit liabilities	-	-	929,590	929,590
Bills payable	-	-	50,858	50,858
Bonds payable	-	34,356	-	34,356
Accrued interest and other expense		-	10,745	10,745
Other liabilities	-	-	26,990	26,990
	-	34,356	1,018,183	1,052,539

	Parent Company			
	Level 1	Level 2	Level 3	Total
(Amounts in PHP)				
2024				
Financial Assets:				
Cash and other cash items	22,907	-	-	22,907
Due from BSP	112,763	-	-	112,763
Due from other banks	14,433	-	-	14,433
Interbank loans	32,567	-	-	32,567
Investment securities at amortized cost	43,938	191,491	-	235,429
Loans and receivables - net	-	-	725,037	725,037
Other resources - net	-	-	1,669	1,669
	226,608	191,491	726,706	1,144,805
Financial Liabilities:				
Deposit liabilities	-	-	1,020,060	1,020,060
Bills payable	-	-	80,928	80,928
Bonds payable	-	43,663	-	43,663
Accrued interest and other expense	-	-	11,312	11,312
Other liabilities	-	-	49,437	49,437
	-	43,663	1,161,737	1,205,400
2023				
Financial Assets:				
Cash and other cash items	19,812	-	-	19,812
Due from BSP	150,771	-	-	150,771
Due from other banks	14,630	-	-	14,630
Loans arising from reverse repurchase agreements	34,948	-	-	34,948
Interbank loans	27,780	-	-	27,780
Investment securities at amortized cost	104,082	109,015	-	213,097
Loans and receivables - net	-	-	633,825	633,825
Other resources - net	-	-	1,457	1,457
	352,023	109,015	635,282	1,096,320
Financial Liabilities:				
Deposit liabilities	-	-	930,262	930,262
Bills payable	-	-	43,957	43,957
Bonds payable	-	-	34,356	34,356
Accrued interest and other expense	-	-	10,475	10,475
Other liabilities	-	-	26,218	26,218
	-	-	1,045,268	1,045,268

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) *Due from BSP and Other Banks, and Loans and Receivables Arising from Reverse Repurchase Agreements*

Due from BSP pertains to deposits made to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreements pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. 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 the discounted cash flows using prevailing money market interest rates for debt 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 consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg. The fair value of these securities are categorized within Level 1 and Level 2 of the fair value hierarchy using BVAL reference rates, which are derived using an approach based on a combined sequence of algorithms of direct observations and/or observed comparables, hence, categorized as Level 1 or 2.

(c) *Deposits Liabilities and Borrowings*

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. The Level 2 fair value of bonds payable and subordinated debt is determined based on the average of ask and bid prices as appearing on Bloomberg. For bills payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(d) *Other Resources and Other Liabilities*

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

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The fair values of the Group and Parent Company's investment properties were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The fair value of the Group's and the Parent Company's land are categorized within Level 3 of the fair value hierarchy, as the observable and recent prices of the reference properties are adjusted for differences in key attributes such as property size, location and zoning, and accessibility, or any physical or legal restrictions on the use of the property. The most significant input into this valuation approach is the price per square feet, hence, the higher the price per square feet, the higher the fair value.

The fair value of the Group's and the Parent Company's land amounted to nil and P31 as of December 31, 2024 and 2023, respectively.

(b) *Fair Value Measurement for Buildings and Improvements*

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

The fair value of building improvements of the Group and Parent Company amounted to P1,833 and P1,475 as of December 31, 2024 and 2023, respectively

There has been no change in the valuation techniques for investment properties in both years.

8. SEGMENT INFORMATION

8.1 Business Segments

The Group's operating businesses are managed separately according to the nature of services provided (primary segments) and the different geographical markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

(a) *Retail* – principally handles the BCs offering a wide range of consumer banking products and services. Products offered include individual customer's deposits, credit cards, home and mortgage loans, auto, personal and microfinance loans, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products. The segment includes the net assets of the servicing entity, RBSC, and portfolios of Rizal Microbank.

(b) *Corporate* – principally handles distinct customer segments: (i) conglomerates; (ii) large corporations; (iii) emerging corporates, which focus on large middle accounts often referred to as the "Next 500 Corporations"; (iv) Japanese multinationals with a strong presence in the country; (v) Filipino-Chinese businesses; and, (vi) Korean businesses. This segment includes the portfolio of RCBC LFC.

(c) *Small and Medium Enterprises (SME)* – principally handles the financial needs of the country's small businesses or the SMEs and the Commercial Middle Market segments. The SME Banking Group provides a holistic approach serving both the financial (e.g., loans, deposits, investments, insurance, etc.) and non-financial needs (e.g., networking, financial literacy trainings, etc.) of client to help them grow their business. Clients are the entrepreneurs located in different parts of the country and spread in various industry sectors such as manufacturing, wholesale and retail trade, construction, hotels, agriculture, and healthcare, among others.

(d) *Treasury* – principally provides money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

(e) *Others* – consists of other subsidiaries except for RBSC and Rizal Microbank, which is presented as part of Retail, and RCBC LFC which is presented under Corporate.

These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise the operations and financial control groups. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to primary business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

For secondary segments, revenues and expenses are attributed to geographic areas based on the location of the resources producing the revenues, and in which location the expenses are incurred.

There were no changes in the Group's operating segments in 2024 and 2023.

8.2 Analysis of Primary Segment Information

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2024, 2023 and 2022 follow:

	Retail	Corporate	SME	Treasury	Others	Total
(Amounts in PHP)						
2024:						
Revenues						
From external customers						
Interest income	70,451	50,916	17,382	21,441	151	160,341
Interest expense	(39,990)	(30,341)	(11,221)	(17,366)	(1)	(98,919)
Net interest income	30,461	20,575	6,161	4,075	150	61,422
Non-interest income	12,003	6,712	322	3,339	529	22,905
	42,464	27,287	6,483	7,414	679	84,327
Intersegment revenues						
Interest income	-	6	4,959	-	26	4,991
Non-interest income	909	-	-	-	-	909
	909	6	4,959	-	26	5,900
Total Revenues	43,373	27,293	11,442	7,414	705	90,227
Expenses						
Operating expenses excluding impairment, depreciation and amortization	20,636	4,852	1,489	1,275	260	28,512
Impairment losses – net	7,438	464	588	-	1	8,491
Depreciation and amortization	1,585	768	61	25	23	2,462
	29,659	6,084	2,138	1,300	284	39,465
Segment operating income	13,714	21,209	9,304	6,114	421	50,762
Total resources	944,543	299,507	116,725	466,451	4,119	1,831,345
Total liabilities	656,791	353,080	147,739	39,645	675	1,197,930

	Retail	Corporate	SME	Treasury	Others	Total
(Amounts in PHP)						
2023:						
Revenues						
From external customers						
Interest income	61,183	47,375	10,457	20,894	138	140,047
Interest expense	(35,960)	(25,639)	(9,867)	(16,450)	(9)	(87,925)
Net interest income	25,223	21,736	590	4,444	129	52,122
Non-interest income	9,859	5,647	284	933	1,092	17,815
	35,082	27,383	874	5,377	1,221	69,937
Intersegment revenues						
Interest income	-	4	4,386	-	28	4,418
Non-interest income	742	-	-	-	-	742
	742	4	4,386	-	28	5,160
Total Revenues	35,824	27,387	5,260	5,377	1,249	75,097
Expenses						
Operating expenses excluding impairment, depreciation and amortization	18,000	4,167	1,362	1,493	300	25,322
Impairment losses – net	5,015	1,022	692	11	(1)	6,739
Depreciation and amortization	1,685	800	76	23	24	2,608
	24,700	5,989	2,130	1,527	323	34,669
Segment operating income	11,124	21,398	3,130	3,850	926	40,428
Total resources	767,612	315,840	104,513	468,411	3,973	1,660,349
Total liabilities	701,541	500,825	128,867	90,495	558	1,422,286
2022						
Revenues						
From external customers						
Interest income	33,539	27,865	6,325	12,615	100	80,444
Interest expense	(14,272)	(14,491)	(4,258)	(7,674)	(7)	(40,702)
Net interest income	19,267	13,374	2,067	4,941	93	39,742
Non-interest income	8,152	6,671	240	673	1,075	16,811
	27,419	20,045	2,307	5,614	1,168	56,553
Intersegment revenues						
Interest income	-	5	2,372	-	13	2,390
Non-interest income	650	-	-	-	-	650
	650	5	2,372	-	13	3,040
Total Revenues	28,069	20,050	4,679	5,614	1,181	59,593
Expenses						
Operating expenses excluding impairment, depreciation and amortization	15,436	2,763	1,507	1,053	59	20,818
Impairment losses – net	3,529	1,544	400	19	214	5,706
Depreciation and amortization	1,239	880	27	23	23	2,192
	20,204	5,187	1,934	1,095	296	28,716
Segment operating income	7,865	14,863	2,745	4,519	885	30,877
Total resources	649,238	307,379	88,807	357,684	4,224	1,407,332
Total liabilities	570,994	417,070	107,165	43,284	571	1,139,084

8.3 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

(Amounts in PHP)	**2024**	2023	2022
Revenues			
Total segment revenues	**90,227**	75,097	59,593
Elimination of intersegment	**(36,819)**	(25,100)	(15,139)
Net revenues as reported in profit or loss	**53,408**	49,997	44,454
Profit or loss			
Total segment operating income	**50,762**	40,428	30,877
Elimination of intersegment	**(41,242)**	(28,211)	(18,797)
Group net profit as reported in profit or loss	**9,520**	12,217	12,080
Resources			
Total segment resources	**1,831,345**	1,660,349	1,407,332
Unallocated resources (elimination of intersegment liabilities)	**(471,192)**	(422,017)	(253,224)
Total resources	**1,360,153**	1,238,332	1,154,108
Liabilities			
Total segment liabilities	**1,197,930**	1,422,286	1,139,084
Unallocated liabilities (elimination of intersegment liabilities)	**3,732**	(336,229)	(101,337)
Total liabilities	**1,201,662**	1,086,057	1,037,747

8.4 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2024, 2023 and 2022 follow:

(Amounts in PHP)	**Philippines**	**Asia**	**Total**
2024			
Statement of profit or loss			
Total income	**89,978**	**12**	**89,990**
Total expense	**80,447**	**23**	**80,470**
Net profit (loss)	**9,531**	**(11)**	**9,520**
Statement of financial position			
Total resources	**1,360,057**	**96**	**1,360,153**
Total liabilities	**1,201,659**	**3**	**1,201,662**
Other segment information			
Depreciation and amortization	**3,379**	**-**	**3,379**

(Amounts in PHP)	Philippines	Asia and Europe	Total
2023			
Statement of profit or loss			
Total income	82,643	14	82,657
Total expense	70,418	22	70,440
Net profit (loss)	12,225	(8)	12,217
Statement of financial position			
Total resources	1,238,229	103	1,238,332
Total liabilities	1,086,053	4	1,086,057
Other segment information			
Depreciation and amortization	3,365	-	3,365
2022			
Statement of profit or loss			
Total income	59,057	16	59,073
Total expense	46,971	22	46,993
Net profit (loss)	12,086	(6)	12,080
Statement of financial position			
Total resources	1,153,994	114	1,154,108
Total Liabilities	1,037,741	6	1,037,747
Other segment information			
Depreciation and amortization	3,037	-	3,037

9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		Parent Company	
(Amounts in PHP)	**2024**	2023	**2024**	2023
Cash and other cash items	**23,003**	19,875	**22,907**	19,812
Due from BSP	**115,230**	151,762	**112,763**	150,771
Due from other banks	**14,569**	14,892	**14,433**	14,630
Loans arising from reverse repurchase agreements	**-**	35,799	**-**	34,948
Interbank loans receivables (see Note 11)	**32,567**	27,780	**32,567**	27,780
	185,369	250,108	**182,670**	247,941

Cash consists primarily of funds in the form of Philippine currency notes and coins, and includes foreign currencies acceptable to form part of the international reserves in the Group's vault and those in the possession of tellers, including ATMs. 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 clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Note 17), to serve as clearing account for interbank claims and to comply with existing trust regulations.
Loans arising from repurchase agreements, which normally mature within 30 days, represent overnight placements with private entities where the underlying securities cannot be sold or repledged to parties other than the contracting party.

Due from BSP includes:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Demand deposit and secured settlement accounts	**57,303**	83,701	**54,963**	82,771
Term deposit	**32,000**	68,000	**32,000**	68,000
Overnight deposit	**25,927**	61	**25,800**	-
	115,230	151,762	**112,763**	150,771

The balance of Due from other banks account represents regular deposits with the following:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Foreign banks	**13,575**	13,626	**13,502**	13,593
Local banks	**994**	1,266	**931**	1,037
	14,569	14,892	**14,433**	14,630

Interest on placements with BSP and other banks, which is presented as Interest Income on Due from BSP and other banks in the statements of profit or loss, consist of:

	Group		
	2024	2023	2022
(Amounts in PHP)			
BSP	**1,622**	3,256	1,037
Other banks	**445**	387	73
	2,067	3,643	1,110

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
BSP	**1,617**	3,248	1,033
Other banks	**364**	296	44
	1,981	3,544	1,077

The Group's deposits in other banks and in BSP other than mandatory reserves earn annual interest of 0.46% to 6.89% and 0.46% to 6.71% in 2024, 0.00% to 6.68% and 0.00% to 6.30% in 2023, 0.00% to 1.60% and 1.50% to 4.80% in 2022, respectively.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Financial assets at FVTPL	**10,234**	11,778	**9,525**	10,954
Financial assets at FVOCI	**158,630**	82,437	**157,954**	81,757
Investment securities at amortized cost	**260,222**	236,527	**259,387**	235,732
	429,086	330,742	**426,866**	328,443

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVTPL is composed of the following:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Government securities	**7,257**	9,647	**7,252**	9,615
Derivative financial assets	**2,067**	1,320	**2,067**	1,320
Equity securities	**778**	783	**74**	-
Corporate debt securities	**132**	28	**132**	19
	10,234	11,778	**9,525**	10,954

The carrying amounts of financial assets at FVTPL are classified as follows:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Held-for-trading	**7,389**	10,458	**7,384**	9,634
Derivative financial assets	**2,067**	1,320	**2,067**	1,320
Designated as FVTPL	**778**	-	**74**	-
	10,234	11,778	**9,525**	10,954

Equity securities are composed of listed shares of stock traded at the PSE. Dividend income earned on these equity securities amounted to P3 in 2024, P19 in 2023, and P18 in 2022 for the Group which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 24.1). There were no similar transactions for the Parent Company.

Treasury bills and other debt securities issued by the government and other private corporations earn annual interest as follows:

	2024	2023	2022
Peso denominated	**0.00% - 9.13%**	0.00% - 12.38%	1.41% - 12.38%
Foreign currency denominated	**0.00% - 10.63%**	0.00% - 9.63%	0.28% - 9.63%

Derivative instruments used by the Group include foreign currency short-term forwards, cross-currency swaps, debt warrants and options. The Group enters into derivative contracts mainly to cover hedging of currency risk, liquidity management and funding, and arbitrage and market positioning strategies. These instruments offer opportunities for market participants to manage interest rates or currency pricing between markets thereby optimizing the Bank's funding costs and enhancing returns. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. Foreign currency short-term swaps are simultaneous foreign currency spot and forward deals with tenor of one year.

Debt warrants attached to the bonds and other debt securities allows the Group to purchase additional debt securities from the same contracting issuer at the same price and yield as the initial purchased security. Option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

The aggregate contractual or notional amount of derivative financial instruments and the aggregative fair values of derivative financial assets and financial liabilities as of December 31 both in the Group and Parent Company's financial statements are shown below.

	Notional Amount	**Fair Values**	
		Assets	**Liabilities**
(Amounts in PHP)			
2024			
Currency swaps and forwards	**284,673**	**2,017**	**3,187**
Interest rate swaps and futures	**15,862**	**25**	**210**
Debt warrants	**6,084**	**11**	**-**
Options	**3,425**	**14**	**28**
Credit default swap	**1,967**	**-**	**210**
	312,011	**2,067**	**3,635**
2023			
Currency swaps and forwards	213,972	1,217	1,447
Debt warrants	5,824	10	-
Interest rate swaps and futures	5,199	79	59
Credit default swap	1,827	-	184
Options	560	14	-
	227,382	1,320	1,690

Derivative liabilities are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 21). The significant portion of such derivative liabilities have maturity periods of less than a year.

Other information about the fair value measurement of the Group and Parent Company's financial assets at FVTPL are presented in Note 7.2.

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31 consist of:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Government debt securities	**140,397**	65,431	**140,397**	65,431
Corporate debt securities	**14,091**	13,102	**13,979**	12,986
Unquoted equity securities	**2,591**	2,421	**2,568**	2,402
Quoted equity securities	**1,551**	1,483	**1,010**	938
	158,630	82,437	**157,954**	81,757

The reconciliation of the carrying amounts of these financial assets are as follows:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Balance at the beginning of year	**82,437**	114,946	**81,757**	114,265
Additions	**391,742**	442,380	**391,718**	442,360
Disposals	**(315,409)**	(476,584)	**(315,386)**	(476,576)
Fair value gains (losses) - net	**(140)**	1,695	**(135)**	1,708
Balance at end of year	**158,630**	82,437	**157,954**	81,757

Unquoted equity securities include investments in non-marketable equity securities of private companies. The fair value of the Group's unquoted equity securities as of December 31, 2024 and 2023 is determined using the net asset value method, or a market-based approach (price-to-book value method); hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

In 2024, 2023 and 2022, dividends recognized on equity securities amounting to P319, P299 and P293 by the Group and, P273, P252 and P227 by the Parent Company, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 24.1).

10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31 consist of:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Government securities	**230,302**	208,161	**229,377**	207,276
Corporate debt securities	**30,042**	28,527	**30,042**	28,527
	260,344	236,688	**259,419**	235,803
Allowance for impairment	**(122)**	(161)	**(32)**	(71)
	260,222	236,527	**259,387**	235,732

Interest rates per annum on government securities and corporate debt securities range from the following:

	2024	2023	2022
Peso denominated securities	**2.63% - 8.13%**	2.63% - 8.75%	2.90% - 6.87%
Foreign currency-denominated	**0.70% - 10.63%**	0.28% -10.63%	0.28% - 7.65%

There is no disposal of HTC investment in 2024 and 2023. The decrease in the HTC portfolio is attributable to maturities in both years.

Certain government securities are deposited with the BSP as security for the Group's faithful compliance with its fiduciary obligations in connection with its trust operations (see Note 26).

As of December 31, 2024 and 2023, certain investment securities of both the Group and Parent Company were pledged as collateral for bills payable under repurchase agreements (see Note 18).

10.4 Interest Income from Trading and Investment Securities

Interest income from trading and investment securities recognized by the Group and Parent Company in 2024, 2023 and 2022 are shown below.

	Group		
	2024	2023	2022
(Amounts in PHP)			
Financial assets at FVTPL	**396**	227	150
Debt securities at FVOCI	**5,603**	4,375	2,094
Investment securities at amortized cost	**9,966**	8,637	7,511
	15,965	13,239	9,755

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
Financial assets at FVTPL	**396**	227	150
Debt securities at FVOCI	**5,596**	4,369	2,074
Investment securities at amortized cost	**9,912**	8,575	7,459
	15,904	13,171	9,683

10.5 Trading and Securities Gains (Losses)

The Group and the Parent Company recognized trading and securities gains (losses) in its trading or disposals of investment securities, including their fair value changes, in 2024, 2023, and 2022 are as follows:

	Group		
	2024	2023	2022
(Amounts in PHP)			
Profit or loss:			
Financial assets at FVTPL	**179**	306	(42)
Debt securities at FVOCI	**1,316**	138	5
	1,495	444	(37)

	Group		
	2024	2023	2022
(Amounts in PHP)			
Other comprehensive income (loss):			
Equity securities at FVOCI	**232**	263	191
Debt securities at FVOCI	**(372)**	1,432	(5,446)
	(140)	1,695	(5,255)

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
Profit or loss:			
Financial assets at FVTPL	**217**	306	34
Debt securities at FVOCI	**1,316**	123	(12)
	1,533	429	22
Other comprehensive income (loss):			
Equity securities at FVOCI	**238**	276	272
Debt securities at FVOCI	**(373)**	1,432	(5,446)
	(135)	1,708	(5,174)

10.6 Hedging Transactions

On January 17, 2024, the Group entered into interest rate swap agreements, with a notional amount of USD200 million to hedge its exposure to changes in fair value arising from changes in benchmark interest rate on bonds payable due to mature on January 18, 2029 (see Note 19). Under this agreement, the Group, on a semi-annual basis, receive floating interest based on the USD notional amount and will pay 5.50% fixed interest based on the same USD notional amount every interest payment date.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the fixed rate bonds match the terms of the interest rate swaps. The Group has established a hedge ratio of 100.12% for the hedging relationships as the underlying risk of the interest rate swaps is identical to the hedged risk component.

The identified source of ineffectiveness is credit valuation adjustment (CVA) and debit valuation adjustment (DVA) which is the incorporation of counterparty credit risk and own credit risk in measuring the fair value of the interest rate swap contract as required by PFRS 13. Hedge ineffectiveness arises because the change in credit risk affecting the fair value of the interest rate swap contract would not be replicated in the hedged item. Moreover, any subsequent changes in the contractual terms of the hedged item or hedging instrument may create potential source of ineffectiveness.

Since there is a source of ineffectiveness in the hedge due to mismatch, the Group uses the hypothetical derivative method to test the hedge effectiveness and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The table below summarizes the derivatives designated as hedging instruments in qualifying fair value hedge relationships as at December 31, 2024.

	Nominal amount of the hedging instrument (in millions)	Carrying amount of the hedging instrument		Changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities	
Fair value hedges				
Interest rate risk				
Interest rate swaps (5-year term)	$200	-	$204	-

The hedged items are presented under Bonds Payable in the Group's and Parent Company's statement of financial position as at December 31, 2024. The amounts relating to items designated as hedged items in fair value hedge relationships to manage the Group's exposure to interest rate as at December 31, 2024 are as follows:

	Carrying amount of the hedged item (in millions)		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Changes in fair value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Fair value hedges					
Interest rate risk					
Bonds payable	$200	-	$204	-	-

11. LOANS AND RECEIVABLES

This account consists of the following:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Receivables from customers:				
Loans and discounts	**578,646**	525,041	**574,814**	520,581
Credit card receivables	**110,453**	74,667	**110,453**	74,667
Customers' liabilities on acceptances, import bills and trust receipts	**16,535**	16,345	**16,535**	16,345
Bills purchased	**2,786**	3,894	**2,786**	3,894
Lease contract receivables	**2,700**	2,710	**-**	-
Receivables financed	**98**	91	**-**	-
	711,218	622,748	**704,588**	615,487
Unearned discount	**(584)**	(826)	**(177)**	(247)
Balance forwarded	**710,634**	621,922	**704,411**	615,240

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Balance carried forward	**710,634**	621,922	**704,411**	615,240
Other receivables:				
Interbank loans receivables (see Note 9)	**32,567**	27,780	**32,567**	27,780
Accrued interest receivables	**10,258**	9,519	**10,044**	9,306
Accounts receivables [see Note 27.7(b)]	**6,627**	5,425	**5,742**	4,748
Sales contract receivables	**2,541**	2,678	**2,497**	2,628
	51,993	45,402	**50,850**	44,462
	762,627	667,324	**755,261**	659,702
Allowance for impairment (see Notes 4.4.8 and 16)	**(20,130)**	(17,395)	**(18,730)**	(16,021)
	742,497	649,929	**736,531**	643,681

Receivables from customers' portfolio earn average annual interest or range of interest as follows:

	2024	2023	2022
Loans and discounts:			
Philippine peso	**9.60%**	8.35%	6.12%
Foreign currencies	**6.23%**	6.25%	4.92%
Credit card receivables	**17.86% - 19.89%**	16.10%-21.15%	16.21%-18.12%
Lease contract receivables	**9.00%-26.00%**	8.00%-26.00%	7.25%-26.00%
Receivables financed	**10.00%-24.00%**	11.00%-16.00%	10.00% - 22.00%

Effective November 3, 2020, interest rates and cash advance fees charged by the Parent Company to its credit card holders were updated to comply with BSP Circular No. 1098, *Ceiling on Interest of Finance Charges of Credit Card Receivables.* Interest or finance charges on all credit card transactions are not to exceed an annual interest rate of 24%, except credit card installment loans which shall be subject to monthly add-on rate not exceeding 1%. In addition, the maximum amount that can be charged for Cash Advances is capped at P200 (absolute amount) per transaction. In January 2023, the BSP issued Circular No. 1165, *Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables*, amending the cap on interest rate for credit cards back to an annual interest rate of 36%. The Parent Company updated its interest rates and cash advance fees accordingly.

In 2022, the Parent Company wrote off a 10-year UDSCL amounting to P989 bearing 6.44% interest per annum pertaining to an agreement entered into in June 2017 with a third party for the sale of various foreclosed real properties. Write-off amounting to P108 is included as part of Impairment losses in 2022 statement of profit or loss.

Also included in the Parent Company's accounts receivables is the amount due from RCBC JPL which was acquired from Rizal Microbank in 2015 amounting to P222. As of December 31, 2024 and 2023, the outstanding balance amounted to P86 and P92, respectively. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 27.2). The receivable has been appropriately provided with allowance for ECL.

Interest income earned by the Bank from its loans and other receivables is broken down as follows:

	Group		
	2024	2023	2022
(Amounts in PHP)			
Loans and discounts	**41,043**	35,088	27,068
Credit card receivables	**16,140**	11,072	6,289
Finance lease receivables [see Note 28.2 (a)]	**226**	323	202
Others	**3,642**	2,924	1,411
	61,051	49,407	34,970

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
Loans and discounts	**40,714**	34,861	26,889
Credit card receivables	**16,140**	11,072	6,289
Others	**3,416**	2,636	1,189
	60,270	48,569	34,367

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Secured:				
Real estate mortgage	**203,996**	184, 910	**203,103**	183,828
Chattel mortgage	**63,435**	51,280	**61,266**	49,214
Hold-out deposits	**15,089**	8,153	**15,089**	8,152
Other securities	**11,553**	11,119	**8,908**	8,034
	294,073	255,462	**288,366**	249,228
Unsecured	**416,561**	366,460	**416,045**	366,012
	710,634	621,922	**704,411**	615,240

A reconciliation of the allowance for impairment on loans and receivables at the beginning and end of 2024 and 2023 is shown below (see Note 16).

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Balance at beginning of year	**17,395**	16,030	**16,021**	15,088
Impairment losses during the year	**8,281**	6,574	**8,231**	5,759
Accounts written off and others	**(5,546)**	(5,209)	**(5,522)**	(4,826)
Balance at end of year	**20,130**	17,395	**18,730**	16,021

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The components of the carrying values of investments in and advances to subsidiaries and associates are as follows (refer to Note 1.2 for the effective percentage of ownership, line of business, and country of incorporation of subsidiaries and associates):

		Group and Parent Company	
	Note	**2024**	2023
(Amounts in PHP)			
Acquisition costs of associates:			
HCPI		**91**	91
LIPC		**57**	57
RTC	1.1	**40**	40
YCS		**4**	4
		192	192
Accumulated equity in changes in net assets:			
Balance at beginning of year		**317**	227
Share in net earnings for the year		**85**	92
Share in actuarial gains on defined benefit plan		**7**	16
Others		**(1)**	(18)
Balance at end of year		**408**	317
Investments in associates		**600**	509

	Parent Company	
	2024	2023
(Amounts in PHP)		
Acquisition costs of subsidiaries:		
RCBC Capital	**2,231**	2,231
RCBC LFC	**1,987**	1,987
Rizal Microbank	**1,253**	1,253
RCBC JPL	**403**	403
RCBC Forex	**150**	150
RCBC IFL	**58**	58
RCBC Telemoney	**-**	72
Total acquisition costs	**6,082**	6,154
Accumulated equity in changes in net assets:		
Balance at beginning of year	**(262)**	(158)
Share in net earnings (losses) for the year	**406**	(249)
Cash dividends	**(167)**	(92)
Share in actuarial gains (losses) on defined benefit plan	**6**	(42)
Share in fair value loss on financial assets at FVOCI	**(4)**	(13)
Disposal of subsidiaries	**-**	285
Others	**59**	7
Balance at end of year	**38**	(262)
Investments in subsidiaries	**6,120**	5,892

(Amounts in PHP)	Parent Company **2024**	2023
Investments in subsidiaries	**6,120**	5,892
Investments in associates	**600**	509
	6,720	6,401

On March 27, 2023, the Bank's BOD approved the proposed sale and transfer to FLI of its ownership interest in NPHI and Cajel, subject to completion of FLI's due diligence and compliance with conditions to be agreed by the parties. NPHI and Cajel, as owners of certain parcels of land located in Bacoor, Cavite have joint development agreements with FLI, wherein FLI undertook to develop the land properties into an exclusive residential subdivision, now known as Princeton Heights.

On July 14, 2023, the Bank and FLI executed a Deed of Absolute Sale for the sale and transfer of the Bank's 100% ownership in NPHI and Cajel to FLI. The total consideration for the shares amounted to P544 for NPHI and P89 for Cajel. The sale resulted in a gain amounting to P243 presented as Gain on disposal of subsidiaries under Other Operating Income in the 2023 statement of profit or loss.

At the end of each reporting period, the Group has no material interest in unconsolidated structured entities.

Also, the Parent Company and its subsidiaries did not enter in any contractual arrangements to provide financial support to any entities under the Group.

The Parent Company earned dividends from its subsidiaries amounting to P167 and P92 in 2024 and 2023, respectively. No dividends were earned from associates for 2024 and 2023. Dividends receivable as of December 31, 2024 and 2023 amounted to P160 and nil, respectively.

12.1 Information About Investments in Associates

The Parent Company, under a shareholder's agreement, agreed with another stockholder of HCPI to commit and undertake to vote, as a unit, the shares of stock thereof, which they proportionately own and hold, and to regulate the conduct of the voting and the relationship between them with respect to their exercise of their voting rights. As a result of this agreement, the Parent Company is able to exercise significant influence over the operating and financial policies of HCPI. Thus, HCPI has been considered by the Parent Company as an associate despite holding only 12.88% ownership interest.

The investments in LIPC, RTC and YCS have an aggregate carrying value of P92 and P51 as of December 31, 2024 and 2023, respectively, which are insignificant to the Group.

The table below presents the summary of the unaudited financial information of HCPI as of and for the years ended December 31, 2024 and 2023. HCPI uses a fiscal year ending March 31 as its reporting period.

	2024	2023
(Amounts in PHP)		
Financial position:		
Current assets	**5,941**	10,066
Noncurrent assets	**1,067**	788
Current liabilities	**2,604**	6,822
Noncurrent liabilities	**267**	384
Financial performance:		
Revenues	**18,731**	19,920
Gross income	**1,620**	1,913
Operating income	**639**	835
Net income	**467**	690
Other comprehensive loss	**-**	-
Total comprehensive income	**467**	690
Cash flows:		
Net cash from (used in):		
Operating activities	**(3,677)***	207*
Investing activities	**(13)***	150*
Financing activities	**3,219***	(85)*
Effect of exchange rate	**24***	(37)*
Cash at the beginning	**1,009***	774*
Cash at the end	**562***	1,009*

**Based on the audited financial statements of HCPI for the fiscal year ended March 31, 2024*

The table presented below summarizes the reconciliation of equity interest to HCPI as of December 31, 2024 and 2023.

	2024	2023
(Amounts in PHP)		
Net asset of HCPI	**4,137**	3,648
Proportion of interest	**12.88%**	12.88%
	533	470
Nominal goodwill in equity ownership	**2**	2
Carrying amount of investment	**535**	472

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

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

	Group					
(Amounts in PHP)	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Right-of-use Assets**	**Total**
December, 31, 2024						
Cost	**-**	**-**	**9,023**	**2,833**	**12,017**	**23,873**
Accumulated depreciation and amortization	**-**	**-**	**(5,764)**	**(1,630)**	**(8,446)**	**(15,840)**
Net carrying amount	**-**	**-**	**3,259**	**1,203**	**3,571**	**8,033**
December 31, 2023						
Cost	-	-	12,948	2,381	11,399	26,728
Accumulated depreciation and amortization	-	-	(9,407)	(1,209)	(6,983)	(17,599)
Net carrying amount	-	-	3,541	1,172	4,416	9,129
January 1, 2023						
Cost	918	2,385	12,537	1,900	9,842	27,582
Accumulated depreciation and amortization	-	(1,435)	(8,431)	(899)	(5,553)	(16,318)
Net carrying amount	918	950	4,106	1,001	4,289	11,264

	Parent Company					
(Amounts in PHP)	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Right-of-use Assets**	**Total**
December, 31, 2024						
Cost	-	-	7,746	2,660	12,026	22,432
Accumulated depreciation and amortization	-	-	(5,650)	(1,487)	(8,235)	(15,372)
Net carrying amount	-	-	2,096	1,173	3,791	7,060
December 31, 2023						
Cost	-	-	7,997	2,212	11,437	21,646
Accumulated depreciation and amortization	-	-	(6,107)	(1,073)	(6,661)	(13,841)
Net carrying amount	-	-	1,890	P 1,139	4,776	7,805
January 1, 2023						
Cost	917	2,385	7,538	1,737	9,831	22,408
Accumulated depreciation and amortization	-	(1,436)	(5,526)	(772)	(5,128)	(12,862)
Net carrying amount	917	949	2,012	965	4,703	9,546

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

	Group					
(Amounts in PHP)	**Land**	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Right-of-use Assets**	**Total**
Balance at January 1, 2024, net of accumulated depreciation and amortization	**-**	**-**	**3,541**	**1,172**	**4,416**	**9,129**
Additions	**-**	**-**	**877**	**510**	**618**	**2,005**
Disposals	**-**	**-**	**(256)**	**(57)**	**-**	**(313)**
Depreciation and amortization charges for the year	**-**	**-**	**(903)**	**(422)**	**(1,463)**	**(2,788)**
Balance at December 31, 2024, net of accumulated depreciation and amortization	**-**	**-**	**3,259**	**1,203**	**3,571**	**8,033**
Balance at January 1, 2023, net of accumulated depreciation and amortization	918	950	4,106	1,001	4,289	11,264
Additions	-	1,551	1,532	633	1,557	5,273
Disposals	(918)	(2,488)	(1,095)	(152)	-	(4,653)
Depreciation and amortization charges for the year	-	(13)	(1,002)	(310)	(1,430)	(2,755)
Balance at December 31, 2023, net of accumulated depreciation and amortization	-	-	3,541	1,172	4,416	9,129

(Amounts in PHP)	Parent Company Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Assets	Total
Balance at January 1, 2024, net of accumulated depreciation and amortization	-	-	1,890	1,139	4,776	7,805
Additions	-	-	786	505	589	1,880
Disposals	-	-	(46)	(57)	-	(103)
Depreciation and amortization charges for the year	-	-	(534)	(414)	(1,574)	(2,522)
Balance at December 31, 2024, net of accumulated depreciation and amortization	**-**	**-**	**2,096**	**1,173**	**3,791**	**7,060**
Balance at January 1, 2023, net of accumulated depreciation and amortization	917	949	2,012	965	4,703	9,546
Additions	-	103	704	625	1,606	3,038
Disposals	(917)	(1,039)	(248)	(150)	-	(2,354)
Depreciation and amortization charges for the year	-	(13)	(578)	(301)	(1,533)	(2,425)
Balance at December 31, 2023, net of accumulated depreciation and amortization	-	-	1,890	1,139	4,776	7,805

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2024 and 2023, the Parent Company and its bank subsidiary have satisfactorily complied with this BSP requirement.

The cost of the Group and the Parent Company's fully depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P9,742 and P8,169, respectively, as of December 31, 2024, and P7,905 and P7,090, respectively, as of December 31, 2023. Moreover, no impairment losses were recognized for the Group and the Parent Company's Bank Premises, Furniture, Fixtures and Equipment in 2024, 2023 and 2022, respectively.

As part of strengthening the Parent Company's capital position, on September 30, 2022, the Parent Company sold and immediately leased back for five years a portion of its bank premises and investment properties pertaining to AT Yuchengco Centre (ATYC), with carrying amount of P1,501 and P1,361, respectively [see Notes 14 and 27.7(a)]. The sale qualified as a sale and leaseback and accounted under the applicable financial reporting standard (see Note 2.9). The total selling price amounted to P6,065, of which P2,426 is still outstanding as part of Loans and discounts under Loans and Receivables – net in the statements of financial position. The loan receivable from ATYCI is secured, bears 6.04% interest and payable in 3 years. The impairment loss recognized on this loan receivable under the Parent Company's ECL model amounted to P1 and P9 in 2024 and 2023, respectively. [see Notes 11 and 27.7(a)].

The gain on sale recognized over the aforementioned sale and leaseback transaction amounted to P2,352 and is reported as part of the Gain on assets sold – net under Other Operating Income in the 2022 statement of profit or loss. Right-of-use asset and lease liability recognized amounted to P760 and P1,611, respectively (see Note 21).

On March 16, 2023, the Bank transferred and leased back certain real estate properties with total net book value of P1,796 to Frame Properties, Inc. in exchange for 100% ownership in the latter, which was subsequently transferred to the post-employment defined benefit plan as contribution to the plan assets (Notes 23.2 and 27.5). The total fair value of shares received amounted to P6,208 resulting in a gain of P3,051 presented as part of Gain on assets sold – net under Other Operating Income in the 2023 statement of profit or loss. The sale qualified as a sale and leaseback and was accounted under the applicable financial reporting standard. Right-of-use asset and lease liability recognized amounted to P554 and P1,915, respectively.

The Group has leases for certain offices and branches. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected as a right-of-use asset and a lease liability as part of Bank Premises, Furniture, Fixtures and Equipment and Other Liabilities, respectively. The total short-term leases and leases of low-value entered into contract by the Parent Company amounted to P33 and P39 in 2024 and 2023, respectively. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The table below describes the nature of the Company's leasing activities at December 31, 2024 and 2023:

	Number of right-of-use assets leased		**Range of remaining lease terms (in years)**		**Average remaining lease terms (in years)**	
	2024	2023	**2024**	2023	**2024**	2023
Buildings	**10**	10	**1 to 3**	2 to 4	**2**	2
Warehouses	**12**	11	**1 to 3**	1 to 2	**2**	3
ATM batches	**21**	21	**1 to 4**	1 to 5	**2**	3
Offsites	**68**	-	**1 to 7**	-	**2**	-
Branches	**505**	433	**1 to 3**	1 to 11	**2**	4

The lease liabilities are secured by the related underlying assets and are presented as part of Other Liabilities in the statements of financial position (see Note 21). The undiscounted maturity analysis of lease liabilities at December 31, 2024 and 2023 are found below.

(Amounts in PHP)	**Within 1 Year**	**Within 2 Years**	**Within 3 Years**	**Within 4 Years**	**Within 5 Years**	**More than 5 Years**	**Total**
2024:							
Group:							
Lease payments	2,163	1,591	1,192	360	227	471	6,004
Finance charges	(274)	(174)	(89)	(45)	(31)	(49)	(662)
Net present value	**1,889**	**1,417**	**1,103**	**315**	**196**	**422**	**5,342**
Parent Company:							
Lease payments	2,287	1,666	1,202	353	218	447	6173
Finance charges	(264)	(167)	(84)	(43)	(29)	(45)	(632)
Net present value	**2,023**	**1,499**	**1,118**	**310**	**189**	**402**	**5,541**
2023:							
Group:							
Lease payments	2,107	2,064	1,470	1,158	228	499	7,526
Finance charges	(316)	(228)	(143)	(69)	(30)	(53)	(839)
Net present value	1,791	1,836	1,327	1,089	198	446	6,687
Parent Company:							
Lease payments	2,217	2,174	1,563	1,215	238	422	7,829
Finance charges	(303)	(218)	(136)	(64)	(28)	(51)	(800)
Net present value	1,914	1,956	1,427	1,151	210	371	7,029

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over branches and offices, the Group 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 Group must ensure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

On January 1, 2021, the Parent Company and RCBC Realty Corporation renewed the terms for the lease of RCBC Plaza's several floors. The amendments in the terms include a new rental rate and extended term of five years based on the mutual agreement of both parties. In addition, the Parent Company has also entered a five-year lease agreement with ATYCI in October 2022 which is effective until September 30, 2027.

The total cash outflow in respect of leases in 2024, 2023 and 2022 amounted to P2,366, P2,131 and P2,265, respectively, for the Group, and P2,283, P2,044 and P2,189, respectively, for the Parent Company. Interest expense in relation to lease liabilities in 2024, 2023 and 2022 amounted to P364, P335 and P189, respectively, for the Group, and P351, P362 and P72, respectively, for the Parent Company and is presented as part of Interest Expense in the statements of profit or loss.

14. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2024 and 2023 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
(Amounts in PHP)						
December 31, 2024						
Cost	-	1,063	1,063	-	1,063	1,063
Accumulated depreciation	-	(366)	(366)	-	(366)	(366)
Accumulated impairment (see Note 16)	-	(2)	(2)	-	(2)	(2)
Net carrying amount	**-**	**695**	**695**	**-**	**695**	**695**
December 31, 2023						
Cost	13	828	841	12	828	840
Accumulated depreciation	-	(294)	(294)	-	(294)	(294)
Accumulated impairment (see Note 16)	(4)	-	(4)	(3)	-	(3)
Net carrying amount	9	534	543	9	534	543
January 1, 2023						
Cost	1,781	1,784	3,565	1,643	1,763	3,406
Accumulated depreciation	-	(675)	(675)	-	(665)	(665)
Accumulated impairment (see Note 16)	(22)	(252)	(274)	(1)	(252)	(253)
Net carrying amount	1,759	857	2,616	1,642	846	2,488

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2024 and 2023 follow:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Balance at January 1, net of accumulated depreciation and impairment	**543**	2,616	**543**	2,488
Additions	**255**	689	**251**	677
Disposals	**(16)**	(316)	**(16)**	(293)
Reclassification (see Note 15.1)	**(3)**	(2,341)	**-**	(2,225)
Depreciation charges for the year	**(83)**	(104)	**(83)**	(103)
Impairment losses	**(1)**	(1)	**-**	(1)
Balance at December 31, net of accumulated depreciation and impairment	**695**	543	**695**	543

As of December 31, 2024 and 2023, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

14.1 Additions, Disposals and Reclassification of Investment Properties

The Group and the Parent Company foreclosed real and other properties totaling P255 and P251, respectively, in 2024, and P689 and P677, respectively, in 2023, in settlement of certain loan accounts (see Note 30).

As of December 31, 2024, and 2023, foreclosed investment properties still subject to redemption period by the borrowers amounted to P757 and P487, respectively, for the Group and P734 and P455, respectively, for the Parent Company.

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P438 and P436, respectively, in 2024, and P664 and P660, respectively, in 2023, and P510 and P502, respectively, in 2022, which is presented as part of Gain on assets sold – net under Other Operating Income account in the statements of profit or loss.

14.2 Income and Expenses from Investment Properties Held for Rental

The Group and Parent Company earned rental income from investment properties amounting to nil in 2024, P12 in 2023 and P199 in 2022, and are presented as part of Rentals under Miscellaneous Income account in the statements of profit or loss [see Notes 24.1 and 27.7(b)]. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P97 in 2024, P98 in 2023 and P48, in 2022.

15. OTHER RESOURCES

Other resources consist of the following:

	Notes	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
(Amounts in PHP)					
Creditable withholding taxes		**4,512**	4,280	**4,482**	4,262
Assets held-for-sale and disposal group	15.1	**3,910**	4,503	**3,459**	4,027
Net defined benefit asset	23.2, 27.5	**2,745**	2,625	**2,746**	2,665
Prepaid expenses	15.2	**1,762**	1,645	**1,533**	1,417
Software – net	15.3	**1,248**	1,237	**1,245**	1,235
Refundable and other deposits		**1,198**	955	**1,179**	953
Branch licenses	15.4	**1,000**	1,000	**1,000**	1,000
Deferred charges		**949**	660	**949**	657
Unused stationery and supplies		**646**	618	**637**	609
Goodwill	15.5	**426**	426	**269**	269
Returned checks and other cash items		**235**	221	**235**	221
Margin deposits	15.6	**214**	243	**214**	243
Miscellaneous	15.7	**2,028**	2,032	**1,978**	1,837
		20,873	20,445	**19,926**	19,395
Allowance for impairment	15.1, 15.5, 16	**(485)**	(1,068)	**(327)**	(890)
		20,388	19,377	**19,599**	18,505

15.1 Assets Held-for-Sale and Disposal Group

Assets held-for-sale represents assets that are approved by management to be immediately sold in its present condition and management believes that the sale is highly probable at the time of reclassification. Asset held-for-sale and disposal group consists of the following:

	Group 2024	Group 2023	Parent Company 2024	Parent Company 2023
(Amounts in PHP)				
Equity securities	**519**	1,809	**519**	1,809
Foreclosed automobiles	**689**	713	**382**	380
Foreclosed real properties	**2,702**	1,981	**2,558**	1,838
	3,910	4,503	**3,459**	4,027
Allowance for impairment	**(454)**	(881)	**(450)**	(861)
Balance at end of year	**3,456**	3,622	**3,009**	3,166

On May 29, 2023, the Bank's BOD approved the sale of its consolidated ROPA, recognized as part of Investment properties. The program consists of three phases of execution, namely; (a) the sale of high-end properties; (b) the sale of a property in Tarlac, and (c) the sale of consolidated ROPA nationwide, which includes properties of both the Bank and its subsidiaries. The carrying values of these investment properties which were reclassified to assets held for sale amounted to P831, while the related appraised values amounted to P5,131. Further reclassification of investment properties with carrying value of P1,394 and appraised value of P3,103 was made during the last quarter of 2023 as part of the commitment of the Bank to dispose of the properties to comply with the constitutional requirements on land ownership of the Bank after additional investment of SMBC (see Notes 1.1 and 22.3).

During 2023, the Bank partially disposed of aforementioned properties with a total carrying value of P427 for a gross consideration of P3,236, resulting in a gain amounting to P2,809, which was presented as part of Gain on assets sold – net under Other Operating Income in the 2023 statement of profit or loss.

In February 2025, the Bank disposed of the remaining consolidated ROPA with a total carrying amount of P615 for a gross consideration of P495. Accordingly, the carrying amount of the related assets was reduced to the recoverable amount based on the above selling price and recognized loss of P106 in the 2024 profit or loss of the Group.

15.1.1 HHIC Equity Securities

In May 2019, RCBC, together with other local banks, entered into a Detailed Implementing Agreement with Hanjin Heavy Industries and Construction Philippines, Inc. (HHIC-Phil), a subsidiary of HJ Shipbuilding and Construction Ltd. (HJSC), a Korean shipbuilding company, to convert a part of the former's debt into a 20% stake in HJSC (see Note 28.2). Accordingly, in June 2019, the Bank received 7,100,129 common shares representing 8.53% ownership in HJSC in settlement of HHIC-Phil's gross outstanding loan amounting to USD63.5 million or P3,286. In 2024, 2023 and 2022, the Parent Company recognized impairment of the HJSC equity securities amounting to P160, P160 and P516, respectively, which are included as part of Impairment Losses – net in the statements of profit or loss (see Note 16).

During 2024, the Bank has sold its 4,871 HJSC shares with carrying amount of P505. These batches of sale resulted to a gain of P355 which are included as part of Gain on assets sold – net in the statements of profit or loss.

In January 2025, the remaining 2,229 shares with carrying amount of P223 were sold by the Bank for a total selling price of P617. The sale of shares resulted in a net gain of P386 which will be recognized in the Group's 2025 profit or loss.

15.2 Prepaid Expenses

Prepaid expenses include prepayments for insurance, taxes and licenses, and software maintenance.

15.3 Software

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

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Balance at beginning of year	**1,237**	1,362	**1,235**	1,359
Additions	**519**	381	**518**	362
Amortization	**(508)**	(506)	**(508)**	(486)
Balance at end of year	**1,248**	1,237	**1,245**	1,235

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.4 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Company in 2015 to establish a certain number of branches in the restricted areas in the country. Branch licenses are annually tested for impairment either individually or at the CGU level, as appropriate when circumstances indicate that the intangible asset may be impaired.

Branch licenses is subject to annual impairment testing and whenever is an indication of impairment. The recoverable amount used to determine impairment on the branch licenses was based on Value-in-Use (VIU) calculation computed through discounting the five-year cash flow projections from financial budgets approved by the Parent Company's senior management covering a five-year period. The recoverable amount was computed by determining the excess of the projected interest income from the projected interest expense. The Group also considered key assumptions in determining cash flow projections which includes discount rates and growth rates. Future cash flows and growth rates were based on experience, strategies developed, and prospects. The discount rate applied to cash flow projections is 10.95% and 9.52% in 2024 and 2023, respectively, while the growth rate used to extrapolate cash flows covering a five-year period is 5.81% and 5.64%, in 2024 and 2023, respectively.

15.5 Goodwill

The Parent Company recognized goodwill amounting to P269 which arose from its acquisition of the net assets of another bank in 1998 from which it had expected future economic benefits and synergies that will result from combining the operations of the acquired bank.

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2024 and 2023, the Parent Company engaged a third party consultant to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on VIU calculation using the cash flow projections from financial budgets approved by the Parent Company's senior management covering a five-year period. The Group also considered key assumptions in determining cash flow projections which includes discount rates and growth rates. Future cash flows and growth rates were based on experience, strategies developed, and prospects.

The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities within the industry. In 2024 and 2023, the discount rate applied to cash flow projections is 10.95% and 11.05%, respectively, while the growth rate used to extrapolate cash flows beyond five-year period is 5.81% and 6.18% for 2024 and 2023, respectively. On the basis of the report of the third-party consultant dated February 14, 2025 and February 1, 2024 with valuation date as of the end of 2024 and 2023, respectively, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

In addition, the goodwill pertaining to the acquisition of Rizal Microbank amounting to P157 was fully provided with impairment in 2011.

15.6 Margin Deposits

Margin deposits serve as security for outstanding financial market transactions and other liabilities. These are designed to provide additional credit risk protection for counterparty exposures.

15.7 Miscellaneous

Miscellaneous account includes various deposits, advance rentals, service provider fund, trading right and other assets.

16. ALLOWANCE FOR EXPECTED CREDIT LOSS AND IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized below.

		Group		Parent Company	
	Notes	**2024**	2023	**2024**	2023
(Amounts in PHP)					
Balance at beginning of year					
Loans and receivables	11	**17,395**	16,030	**16,021**	15,088
Investment securities at amortized cost	10.3	**161**	163	**71**	71
Loan commitments	4.4, 21	**304**	214	**304**	214
Investment properties	14	**4**	274	**3**	253
Other resources - net	15	**1,068**	1,223	**890**	1,066
		18,932	17,904	**17,289**	16,692
Impairment losses – net:					
Loans and receivables	11	**8,281**	6,574	**8,231**	5,759
Investment securities at at amortized cost	10.3	**(10)**	(2)	**(10)**	-
Loan commitments	4.4, 21	**66**	105	**66**	105
Investment properties	14	**1**	1	**-**	1
Other resources - net	15	**281**	210	**277**	209
		8,619	6,888	**8,564**	6,074
Charge-offs and other adjustments during the year		**(6,442)**	(5,860)	**(6,392)**	(5,477)
Balance at end of year					
Loans and receivables	11	**20,130**	17,395	**18,730**	16,021
Investment securities at at amortized cost	10.3	**122**	161	**32**	71
Loan commitments	4.4	**370**	304	**370**	304
Investment properties	14	**2**	4	**2**	3
Other resources - net	15	**485**	1,068	**327**	890
		21,109	18,932	**19,461**	17,289

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities (see also Note 27.3):

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Demand	**224,988**	214,395	**225,028**	215,284
Savings	**313,478**	287,738	**313,567**	287,776
Time	**484,328**	450,999	**484,142**	450,729
Long-term Negotiable Certificate of Deposits (LTNCD)	**-**	3,580	**-**	3,580
	1,022,794	956,712	**1,022,737**	957,369

As at December 31, 2023, the Parent Company has an outstanding LTNCD amounting to P3,580. Such LTNCD had a coupon interest rate of 5.50% and matured on March 28, 2024. This was used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes.

The Group's deposit liabilities bear annual interest as follows:

	2024	2023	2022
Demand, Savings and Time deposits	**0.10% - 9.65%**	0.10% - 6.50%	0.07% - 6.13%

The total interest expense incurred by the Group and the Parent Company on deposit liabilities are as follows:

	Group		
	2024	2023	2022
(Amounts in PHP)			
Time	**23,824**	22,389	7,995
Savings	**4,933**	3,388	894
Demand	**2,302**	2,044	868
LTNCD	**49**	214	300
	31,108	28,035	10,057

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
Time	**23,809**	22,402	7,987
Savings	**4,941**	3,392	895
Demand	**2,305**	2,048	873
LTNCD	**49**	214	300
	31,104	28,056	10,055

Non-FCDU deposit liabilities, including tax exempt LTNCDs, of the Parent Company and Rizal Microbank is subject to reserve requirement of 14% and 4%, respectively, based on BSP regulations effective July 31, 2020. In 2023, BSP reduced the reserve requirements for both the Parent Company and Rizal Microbank effective June 30 by 250 basis points and 100 basis points, respectively. The reserve requirement ratio for the Parent Company is at 7% and 9.5% while 1% and 2% for Rizal Microbank in 2024 and 2023, respectively.

Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent of 4% in both years. As of December 31, 2024 and 2023, the Group is in compliance with such regulatory reserve requirements.

Under BSP Circular No. 1063, *Reduction in Reserve Requirements*, cash in vault and regular reserve deposit accounts with BSP are excluded as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P51,303, P83,701, and P76,582 for the Group and P54,963, P82,771, and P75,340 for the Parent Company as of December 31, 2024, 2023 and 2022, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Foreign banks	**79,466**	36,653	**79,466**	36,653
Local banks	**7,150**	14,165	**1,462**	7,304
Others	**-**	40	**-**	-
	86,616	50,858	**80,928**	43,957

Borrowings from foreign and local banks are subject to annual fixed interest rates as follows:

	2024	2023	2022
Group			
Peso denominated	**2.50% - 8.50%**	3.00% - 8.00%	4.66% - 8.00%
Foreign currency denominated	**0.40% - 6.43%**	2.50% - 6.42%	0.0001% - 0.725%
Parent Company			
Peso denominated	**5.30%-6.34%**	6.31%	4.66% - 4.96%
Foreign currency denominated	**0.40%-6.43%**	2.50% - 6.42%	0.0001% - 0.725%

The total interest expense incurred by the Group on the bills payable amounted to P2,951 in 2024, P2,449 in 2023, and P824 in 2022. The total interest expense incurred by the Parent Company on the bills payable amounted to P2,552 in 2024, P2,042 in 2023, and P420 in 2022.

As of December 31, 2024 and 2023, bills payable availed under repurchase agreements amounting to P66,056 and P29,797, respectively, are secured by the Group and Parent Company's investment securities (see Note 10.3). Investment securities used as collateral to the bills payable are government securities and corporate debt securities that are measured at amortized cost. The average interest rate is 2.53% in 2024, 2.80% in 2023, and 4.05% in 2022 for government securities, and 3.81% in 2024 and 3.70% in 2022 for corporate debt securities. Average remaining terms before maturity of these investment securities as of 2024, 2023, and 2022 is 9 years, 13 years, and 3 years, respectively, for government securities, and 6 years and 7 years for corporate debt securities in 2024 and 2022, respectively. There are no corporate debt securities collaterals in 2023.

19. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

(Amounts in PHP)				Outstanding Balance	
Issuance Date	Maturity Date	Coupon Interest	Face Value (in millions)	2024	2023
January 7, 2024	January 18, 2029	5.50%	$400	**22,805**	-
February 21, 2022	May 21, 2024	3.00%	P14,756	**-**	14,756
March 31, 2021	June 30, 2026	4.18%	P4,130	**4,130**	4,130
September 11, 2019	September 11, 2024	3.05%	$293	**-**	16,053
				26,935	34,939

On January 7, 2024, the Group issued a USD400 5-year Senior Unsecured Fixed Rate Sustainability Bonds via a drawdown under its USD3,000 Medium Term Note Program. The net proceeds from the issue of the Notes will be applied by the Group to support and finance its loans to customers or its own operating activities in eligible green and social categories as defined in the Group's Sustainable Finance Framework.

Out of the USD400 senior notes issued on January 7, 2024, USD200 are designated as liability under fair value hedge accounting (see Note 3). As of December 31, 2024, the Group has four outstanding interest rate swaps designated as fair value hedges of the interest rate risk arising from 50% of the Group's USD400 fixed rate bonds payable.

On February 21, 2022, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2023 of P14,756 bearing an interest of 3.00% per annum. The senior notes matured last May 21, 2024.

On March 31, 2021, the Parent Company issued unsecured Peso-denominated Senior Notes with outstanding balance as of December 31, 2023 of P4,130 bearing an interest of 4.18% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The senior notes will mature on June 30, 2026.

In September 2019, the Parent Company issued unsecured USD-denominated Senior Notes with principal amount of USD300 bearing an interest of 3.05% per annum, payable semi-annually in arrears every March 11 and September 1 of each year. The senior notes matured last September 11, 2024.

The debt issue cost incurred in 2024 and 2023 is P41 and P104, respectively. The unamortized debt issue cost as of December 31, 2024 and 2023 amounted to P129 and P15, respectively. The related amortization of unamortized debt issue cost is recorded as part of Interest Expense in the statements of profit or loss.

The interest expense incurred on these bonds payable amounted to P1,957 in 2024, P1,768 in 2023, and P3,397 in 2022. The Group and Parent Company recognized foreign currency exchange gains related to these bonds payable amounting to P718 and P3,567 in 2024 and 2022, respectively, while P450 foreign currency exchange losses in 2023. Foreign currency exchange losses are netted against foreign exchange gains presented under Other Operating Income account in the statements of profit or loss.

20. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Accrued expenses	**5,222**	5,550	**4,931**	5,286
Accrued interest	**5,144**	5,195	**5,135**	5,187
Taxes payable	**1,301**	1,337	**1,253**	1,313
	11,667	12,082	**11,319**	11,786

Accrued expenses represent mainly the accruals for utilities, employee benefits and other operating expenses. Accrued interest primarily includes unpaid interest on deposit liabilities, bills payable and bonds payable at the end of each reporting period.

21. OTHER LIABILITIES

Other liabilities consist of the following:

		Group		Parent Company	
	Notes	**2024**	2023	**2024**	2023
(Amounts in PHP)					
Accounts payable	27.7 (c)	**35,080**	10,197	**34,595**	9,769
Lease liabilities	13	**5,342**	6,687	**5,541**	7,029
Derivative financial liabilities	10.1	**3,635**	1,690	**3,635**	1,690
Manager's checks		**2,147**	1,878	**2,147**	1,878
Bills purchased – contra		**1,868**	2,673	**1,868**	2,673
Withholding taxes payable		**1,107**	1,108	**1,105**	1,101
Unclaimed balances-deposit		**900**	1,398	**900**	1,320
Unearned income		**730**	824	**723**	819
Deposit on lease contracts		**596**	796	**9**	18
Sundry credits		**403**	269	**403**	268
Other credits		**400**	381	**400**	381
ECL provisions on loan commitments	4.4.8 (c)	**370**	304	**370**	304
Guaranty deposits		**204**	6	**204**	6
Payment orders payable		**130**	147	**130**	147
Outstanding acceptances payable		**116**	1,467	**116**	1,467
Post-employment defined benefit obligation		**-**	40	**-**	-
Miscellaneous		**622**	1,601	**605**	1,703
		53,650	31,466	**52,751**	30,573

Accounts payable is mainly composed of settlement billing from credit card operations and the Group's expenditure purchases which are to be settled within the next reporting period.

Miscellaneous liabilities include due to treasury, government-related contributions, and other miscellaneous liabilities.

Interest expense incurred on other liabilities for 2024, 2023 and 2022 amounted to P137, P80 and P11 for the Group and Parent Company.

22. EQUITY

22.1 Capital Stock

Preferred and common stock represent the nominal value of shares of stock that have been issued (see Notes 22.2 and 22.3).

Capital paid in excess of par includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares of stock are deducted from capital paid in excess of par, net of any related income tax benefits (see Note 22.2).

The movements in the outstanding capital stock of the Parent Company are as follows:

	Number of Shares		
	2024	2023	2022
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common stock – P10 par value			
Authorized – 200,000,000 shares			
Issued and outstanding			
Balance at beginning of year	**267,410**	267,410	267,410
Conversion of preferred stock	**(1,216)**	-	-
Balance at end of year	**266,194**	267,410	267,410
Common stock – P10 par value			
Authorized:			
Balance at beginning and end of year	**2,600,000,000**	2,600,000,000	2,600,000,000
Issued and outstanding:			
Balance at beginning of year	**2,419,536,120**	2,037,478,896	2,037,478,896
Conversion of preferred stock	**239**	-	-
Issuance of new shares	**-**	168,619,976	-
Reissuance of shares during the year	**-**	213,437,248	-
Balance at end of year	**2,419,536,359**	2,419,536,120	2,037,478,896

As of December 31, 2024, and 2023, there are 742 and 746 holders of the Parent Company's listed shares holding an equivalent of 93.00% of the Parent Company's total issued and outstanding shares, respectively. Such listed shares closed at P24.85 and P23.00 per share for years December 31, 2024 and 2023, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented below.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505
Private placement	Cathay	April 2015	124,242,272
Stock rights offering	Various	July 2018	535,710,378
Private placement	SMBC	July 2021	101,850,000
Private placement	SMBC	July 2023	382,057,224

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000,000 convertible preferred shares with a par value of P10 per share, subject to the approval, among others, by the PSE. The purpose of the issuance of the convertible preferred shares is to raise the Tier 1 capital pursuant to BSP regulations, thereby strengthening the capital base of the Parent Company and allowing it to expand its operations. On February 13, 2007, the PSE approved the listing application of the underlying common shares for the 105,000 convertible preferred shares, subject to the compliance of certain conditions of the PSE.

Preferred shares have the following features:

(a) Entitled to dividends at floating rate equivalent to the three-month LIBOR plus a spread of 2.0% per annum, calculated quarterly;

(b) Convertible to common shares at any time after the issue date at the option of the Parent Company at a conversion price using the adjusted net book value per share of the Parent Company based on the latest available financial statements prepared in accordance with PFRS, adjusted by local regulations;

(c) Non-redeemable; and,

(d) Participating as to dividends on a pro rata basis with the common stockholders in the surplus of the Parent Company after dividend payments had been made to the preferred shareholders.

On June 28, 2010, the Parent Company's stockholders owning or representing more than two-thirds of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in Parent Company's authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or to purchase any shares of stock of any class, by amending the Parent Company's Articles of Incorporation.

The proposed P16,000 authorized capital stock is divided into the following classes of stocks:

(a) 1,400,000,000 common shares with a par value of ten pesos (P10.00) per share.

(b) 200,000,000 preferred shares with a par value of ten pesos (P10.00) per share.

The removal of pre-emptive rights was approved by the BSP and SEC on October 20, 2010 and November 4, 2010, respectively. On the other hand, the increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on August 24, 2011 and September 16, 2011, respectively.

On June 27, 2022, the Bank amended its AOI to delete Articles four and seven of the AOI stating the term of existence of the Bank and transfer of voting stocks to foreign nationals, respectively to allow foreign ownership of the bank to exceed 40% and to be consistent with R.A. No. 11232, which grants perpetual corporate terms. The amendment of AOI was approved by BSP and SEC on August 26, 2022 and September 30, 2022, respectively (see Note 1.1).

On November 2, 2022, the Bank's BOD approved the increase in shareholding of SMBC, an existing shareholder of 4.99% of the total outstanding common stock of the Bank, to 20% through the combined sale of subscription of an aggregate of 382 common stock to SMBC, partly coming from the reissuance of treasury shares and issuance of new common stock, at the price of P71 per share for a total consideration amounting to P27,125. The additional capital infusion was made on July 31, 2023 [see Notes 22.2 and 27.7(d)].

22.2 Issuance of Common Shares

The capital infusion from SMBC on July 31, 2023 involved issuance of common shares amounting to P1,686 and reissuance of the treasury at cost amounting to P9,287 [see Notes 22.3 and 27.7(d)]. This resulted in a net increase of the additional paid in capital account of the Bank amounting to P15,735, coming from the excess of the consideration received over the par value of common stock and cost of treasury shares amounting to P16,152 and directly attributable transaction costs amounting to P417.

On July 22, 2019, the effective date of merger, the Parent Company issued 315,287,248 common shares in exchange of the transfer of net assets of RSB at carrying value. The Parent Company recognized P10,507 as additional paid-in capital, which pertains to the difference between the par value of the shares issued and the carrying value of the net assets of RSB.

On November 27, 2017, the BOD of the Parent Company approved the increase in the Parent Company's authorized capital through the increase in the authorized common stock from 1,400,000,000 shares to 2,600,000,000 shares at P10 par value per share or for a total capital stock of P14,000 to P26,000. The BOD also approved the amendment of the Parent Company's Articles of Incorporation for the principal purpose of reflecting the said increase in authorized capital. These resolutions were approved by the Parent Company's stockholders representing at least two-thirds of its outstanding capital stock in a special meeting held on January 29, 2018. In the same meeting, the Parent Company's BOD approved the stock rights offering (Rights Offer) to be subscribed out of the increase in the authorized capital. The increase in authorized capital stock and the Rights Offer were approved by the BSP and SEC on June 29, 2018 and July 4, 2018, respectively. The offering of the stock rights representing 535,710,378 common shares (with equivalent amount of P5,357) occurred from June 25 to June 29, 2018 and the shares were listed at the PSE on July 16, 2018. The Rights Offer and issuance generated P15,000 proceeds, reduced by P217 issue costs; hence, resulting in P9,426 excess of consideration received over par value recognized in Capital Paid in Excess of Par account.

In 2015, the Parent Company issued common shares to Cathay at P64 per share for a total issue price of P7,951. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709 reduced by the total issuance cost of P222. The acquisition involves Cathay: (i) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares at P64 per share, pursuant to a Sale and Purchase Agreement; (ii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund also at P64 per share, pursuant to a Sale and Purchase Agreement; and, (iii) entering into a shareholders agreement with PMMIC and the Parent Company.

In 2013, the Parent Company issued common shares to PMMIC and IFC Capitalization Fund at P64 and P58 per share for a total issue price of P4,074 and P4,127, respectively. These issuances resulted in the recognition of Capital Paid in Excess of Par amounting to P3,437 and P3,415, respectively, reduced by total issuance costs of P101.

22.3 Treasury Shares

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holder until the shares are cancelled, reissued or disposed of.

On July 31, 2023, as a result of the capital infusion of SMBC, the Bank reissued 213,437,248 treasury shares at cost of P43.51 per share or P9,287 (see Notes 22.1 and 22.2).

On July 23, 2021, the Parent Company sold 101,850,000 shares to SMBC at P44.00 per share. This came from the treasury shares resulting from the merger of Parent Company and RSB. The sale of shares held by the Parent Company in treasury is equivalent to 4.999% of the total outstanding Common Stock. The issuance resulted in a recognition of additional Capital Paid in Excess of Par amounting to P50. In 2021, the Parent Company incurred expenses related to the issuance amounting to P113 which was charged to equity resulting in a P63 net decrease in the Capital Paid in Excess of Par. In 2022, the Parent Company incurred additional expenses amounting to P12 in relation to this treasury shares reissuance and this was charged against the 2022 Capital Paid in Excess of Par account.

In 2019, subsequent to the effective date of the merger, the Parent Company acquired the 315,287,248 common shares issued in exchange of the net assets of RSB equal to the Parent Company's investment in RSB as at December 31, 2018.

On September 23, 2011, the Parent Company issued 5,821,548 common shares (equivalent of 18,082,311 preferred shares and with total par value of P58) from the treasury account reissuance (with total cost of P182) and an additional 120,730,177 common stock (with total par value of P1,207) from unissued portion of the increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15.00% of the outstanding common shares. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P2,264.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprising of 50,427,931 treasury shares reissuance (with total cost of P771) and 23,020,344 unissued stock (with total par value of P230), to IFC Capitalization Fund for a total consideration of P2,130 representing 7.20% ownership interest. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P1,078.

22.4 Hybrid Perpetual Securities

Hybrid perpetual securities are non-cumulative, unsecured, subordinated capital securities which qualify as AT1 capital under Basel III standards.

In August 27, 2020, the Parent Company issued USD300 non-cumulative, unsecured, subordinated capital securities which qualify as AT1 capital under Basel III standards. As of December 31, 2024 and 2023, the hybrid perpetual securities amounted to P14,463, net of issuance costs.

The capital securities are perpetual in respect of which there is no fixed redemption date. The Parent Company may redeem the capital securities only in certain circumstances as described in the conditions of the securities and with prior written consent of BSP. Distributions are non-cumulative and payable semi-annually in arrear at a rate of 6.5%. Certain conditions provide for circumstances under which the Parent Company will not be obliged to pay any distribution on the applicable payment date.

The proceeds of the hybrid perpetual securities are used to support and finance medium-term to long-term asset growth, loans to customers, other general corporate purposes and to maintain sufficient buffers above the minimum capital thresholds required by BSP.

22.5 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date Declared	Dividend Per Share	Dividend Total Amount	Record Date	Date Approved by BOD	Date Paid/Payable
January 31, 2022*	-	500.57	February 28, 2022	January 31, 2022	February 28, 2022
February 28, 2022	0.0553	0.01	March 21, 2022	February 28, 2022	March 23, 2022
March 28, 2022	0.6180	1,259.16	April 11, 2022	March 28, 2022	April 27, 2022
March 28, 2022	0.6180	0.17	April 11, 2022	March 28, 2022	April 27, 2022
May 30, 2022	0.0748	0.02	June 21, 2022	May 30, 2022	June 23, 2022
July 25, 2022*	-	547.59	August 26, 2022	July 25, 2022	August 26, 2022
August 30, 2022	0.1047	0.03	September 21, 2022	August 30, 2022	September 22, 2022
November 28, 2022	0.1407	0.04	December 21, 2022	November 28, 2022	December 27, 2022
January 30, 2023*	-	534.98	February 27, 2023	January 30, 2023	February 27, 2023
February 27, 2023	0.1685	0.05	March 21, 2023	February 27, 2023	March 23, 2023
March 27, 2023	1.0800	2,200.48	April 13, 2023	March 27, 2023	April 27, 2023
March 27, 2023	1.0800	0.29	April 13, 2023	March 27, 2023	April 27, 2023
May 29, 2023	0.1789	0.05	June 21, 2023	May 29, 2023	June 26, 2023
July 31, 2023*	-	553.41	August 27, 2023	July 31, 2023	August 27, 2023
August 29, 2023	0.1920	0.05	September 21, 2023	August 29, 2023	September 25, 2023
November 29, 2023	0.1870	0.05	December 21, 2023	November 29, 2023	December 29, 2023
January 29, 2024*	-	546.53	February 27, 2024	January 29, 2024	February 27, 2024
February 26, 2024	0.1864	0.05	March 21, 2024	February 26, 2024	March 21, 2024
March 25, 2024	1.0140	2,453.11	April 13, 2024	March 25, 2024	April 26, 2024
March 25, 2024	1.0140	0.27	April 13, 2024	March 25, 2024	April 26, 2024
May 27, 2024	0.1854	0.05	June 21, 2024	May 27, 2024	June 26, 2024
July 29, 2024*	-	548.24	August 26, 2024	July 29, 2024	August 26, 2024
August 29, 2024	0.1857	0.05	September 21, 2024	August 29, 2024	September 25, 2024
November 25, 2024	0.1707	0.05	December 21, 2024	November 25, 2024	December 26, 2024

**Dividends for Hybrid Perpetual Securities*

In 2015, the BSP, through the MB, approved the liberalized rules for banks and quasi-banks on dividend declaration. The policy requires that dividend declaration be immediately recognized as a liability upon the approval of the BOD and that it be disclosed in the statement of changes in equity.

A portion of the Parent Company's surplus corresponding to the equity in net earnings of certain subsidiaries and associates totaling P5,975 and P5,727 as of December 31, 2024 and 2023, respectively, is not currently available for distribution as dividends.

22.6 Revaluation Reserves

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

(Amounts in PHP)	**Revaluation of Financial Assets at FVOCI**	**Accumulated Translation Adjustments on Foreign Operations**	**Actuarial Gains (Losses) on Defined Benefit Plan**	**Total**
Balance as of January 1, 2024	(3,168)	54	(2,930)	(6,044)
Actuarial gains on defined benefit plan	-	-	378	378
Fair value loss on financial assets at FVOCI	(140)	-	-	(140)
Translation adjustment	-	6	-	6
Other comprehensive income (loss)	(140)	6	378	244
Transfers of fair value gain on financial assets at FVOCI to surplus	2	-	-	2
Balance as of December 31, 2024	**(3,306)**	**60**	**(2,552)**	**(5,798)**

(Amounts in PHP)	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance as of January 1, 2023	(4,866)	54	(1,580)	(6,392)
Actuarial gains on defined benefit plan	-	-	(1,350)	(1,350)
Fair value gain on financial assets at FVOCI	1,695	-	-	1,695
Other comprehensive income (loss)	1,695	-	(1,350)	345
Transfers of fair value gain on financial assets at FVOCI to surplus	3	-	-	3
Balance as of December 31, 2023	(3,168)	54	(2,930)	(6,044)
Balance as of January 1, 2022	389	54	(2,366)	(1,923)
Actuarial gains on defined benefit plan	-	-	786	786
Fair value loss on financial assets at FVOCI	(5,255)	-	-	(5,255)
Other comprehensive income (loss)	(5,255)	-	786	(4,469)
Balance as of December 31, 2022	(4,866)	54	(1,580)	(6,392)

22.7 Appropriation for General Loan Loss Reserves

Pursuant to the requirements of the BSP under Circular No. 1011, the Group shall recognize general loan loss provisions equivalent to one percent of all outstanding loans as of the end of the reporting period, except for accounts considered as credit risk-free under the existing BSP regulations. In cases when the computed allowance for ECL on those exposures is less than one percent of the general loan loss provisions required, the deficiency is recognized through appropriation from the Group's available Surplus. Such appropriation is considered as Tier 2 capital subject to the limit provided under the CAR framework. The outstanding balance of appropriation for General Loan Loss Reserves as of December 31, 2024 and 2023 amounted to P5,564 and P4,599 for the Group, and P5,537 and P4,589 for the Parent Company, respectively. The additional appropriations made in 2024 amounted to P965 and P948 and in 2023 amounted to P775 and P766 respectively, for the Group and Parent Company, respectively.

22.8 Reserve for Trust Business

Reserve for trust business represents the accumulated amount set aside by the Group under existing regulations requiring the Parent Company to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

In 2024, the reserves for trust business was reclassified to Surplus account under Equity as a result of the spin-off of the trust operations of the Group into RTC (see Note 1.1).

22.9 Other Reserves

Other reserves refer to the amount attributable to the Parent Company arising from the changes in the ownership of the Non-controlling Interest (NCI) in the Group.

As of December 31, 2024 and 2023, this account consists of reserves arising from the acquisition of RCBC LFC amounting to P86 for both years.

In 2022, the Parent Company has acquired remaining interest to Rizal Microbank making it a wholly-owned subsidiary of the Parent Company (see Note 1.2). This acquisition resulted in the reduction of Other Reserves and NCI accounts amounting to P11 and P10, respectively. There is no similar transaction in 2024 and 2023.

23. EMPLOYEE BENEFITS

23.1 Short-Term Employee Benefits

Expenses recognized for salaries and other employee benefits are shown below.

	Group		
	2024	2023	2022
(Amounts in PHP)			
Short-term employee benefits	**7,559**	6,732	6,100
Post-employment defined benefits	**500**	418	463
	8,059	7,150	6,563

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
Short-term employee benefits	**6,604**	5,938	5,368
Post-employment defined benefits	**457**	383	426
	7,061	6,321	5,794

23.2 Post-employment Defined Benefit Plan

(a) *Characteristics of the Defined Benefit Plan*

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by RTC, an associate of the Group, covering all regular full-time employees. RTC manages the fund in coordination with the Parent Company's Retirement Plan Committee (RPC), Trust Committee and the respective committees of the subsidiaries which act in the best interest of the plan assets and are responsible for setting the investment policies.

The normal retirement age of the Group's employees ranges between 55 to 60 but the plan also provides for an early retirement at age 50 to 55 with a minimum of 10 to 20 years of credited service. The maximum retirement benefit is the lump sum equivalent to two months pay per year of continuous employment based on the employees' salary at retirement. Any fraction of a year shall be computed proportionately.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2024 and 2023.

The amounts of post-employment benefit assets recognized in the financial statements are determined as follows:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Present value of the obligation	**(6,004)**	(5,932)	**(5,645)**	(5,603)
Fair value of plan assets	**9,511**	9,697	**9,151**	9,407
Effect of asset ceiling test	**(762)**	(1,140)	**(760)**	(1,139)
Excess of plan assets	**2,745**	2,625	**2,746**	2,665

The Group and Parent Company's post-employment defined benefit plan is included under Other Resources as of December 31, 2024 and 2023 (see Note 15).

The movements in the present value of the defined benefit obligation follow:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Balance at beginning of year	**5,932**	5,130	**5,603**	4,857
Current and past service cost	**500**	418	**457**	383
Interest expense	**407**	382	**386**	361
Remeasurements – actuarial				
Gains arising from changes in:				
– demographic assumptions	**(543)**	(1)	**(535)**	-
– financial assumptions	**284**	301	**276**	271
– experience adjustments	**97**	201	**93**	207
Benefits paid by the plan	**(673)**	(499)	**(635)**	(476)
Balance at end of year	**6,004**	5,932	**5,645**	5,603

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

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Balance at beginning of year	**9,697**	3,145	**9,407**	2,885
Interest income	**643**	451	**625**	430
Gains on plan assets (excluding amounts included in net interest)	**(249)**	275	**(246)**	293
Contributions paid into the plan	**93**	6,326	**-**	6,275
Business combination	**-**	(1)	**-**	-
Benefits paid by the plan	**(673)**	(499)	**(635)**	(476)
Balance at end of year	**9,511**	9,697	**9,151**	9,407

On March 16, 2023, the Bank transferred and leased back certain real estate properties to Frame Properties, Inc. for a 100% ownership in the latter, which was subsequently transferred to the post-employment defined benefit plan as contribution to the plan assets (see Notes 13 and 27.5).

On April 8, 2024, the Bank executed a Deed of Donation and Acceptance where the Bank donated and transferred ownership of 36,612,373 Preferred C shares representing 19.41% of the outstanding capital of RCBC JPL to RCBC Retirement Fund which is managed by RTC. Subsequent to the donation, the Bank's ownership interest over RCBC JPL is now reduced to 80% (see Note 1.1).

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

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Cash and cash equivalents	**68**	701	**26**	644
Debt securities:				
Government bonds	**236**	243	**185**	230
Corporate debt securities	**488**	208	**369**	62
Equity securities:				
Transportation and communication	**562**	514	**562**	514
Financial intermediaries	**421**	420	**418**	418
Diversified holding companies	**235**	201	**234**	200
Electricity, gas and water	**100**	138	**100**	137
Quoted equity securities	**78**	23	**-**	-
Others	**63**	50	**-**	-
Unquoted long-term equity Investments	**6,961**	6,929	**6,961**	6,927
UITF	**276**	260	**276**	260
Investment properties	**10**	7	**10**	7
Loans and receivables	**10**	8	**10**	8
Others	**3**	(5)	**-**	-
Balance at end of year	**9,511**	9,697	**9,151**	9,407

The fair values of the above debt securities and quoted equity securities are determined based on market prices in active markets. Long-term equity investments represent investment in corporations not listed in active and organized markets. Fair values are determined based on the book value per share based on latest audited financial statements of the investee company. The fair value of the UITF is determined based on the net asset value per unit of investment held in the fund.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for UITF which are at Level 2 and unquoted long-term equity investments, loans and receivables, investment properties and other investments which are at Level 3.

The net gains on plan assets are as follows:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Interest income	**643**	451	**625**	430
Fair value gains (losses) - net	**(249)**	275	**(246)**	293
Actual gains - net	**394**	726	**379**	723

The amounts of post-employment benefit expense recognized in the profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined below as follows:

	Group		
	2024	2023	2022
(Amounts in PHP)			
Reported in profit or loss:			
Current and past service cost	**500**	418	463
Net interest expense (income)	**(236)**	(69)	141
Interest on the effect of asset ceiling	**80**	-	-
	344	349	604
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Demographic assumptions	**543**	1	1
– Financial assumptions	**(284)**	(301)	730
– Experience adjustments	**(97)**	(201)	44
Effect of asset ceiling test	**458**	(1,140)	-
Gains on plan assets (excluding amounts included in net interest)	**(249)**	275	7
	371	(1,366)	782

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
Reported in profit or loss:			
Current and past service cost	**457**	383	426
Net interest expense (income)	**(239)**	(69)	127
Interest on the effect of asset ceiling	**78**	-	-
	296	314	553
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Demographic assumptions	**535**	-	-
– Financial assumptions	**(276)**	(271)	700
– Experience adjustments	**(93)**	(207)	57
Effect of asset ceiling test	**457**	(1,139)	-
Gains on plan assets (excluding amounts included in net interest)	**(246)**	293	25
	377	(1,324)	782

Current service costs, including the effect of curtailment and past service cost, form part of Employee Benefits under the Other Operating Expenses account, while net interest expense or income is presented as part of Interest Expense on Bills payable and other borrowings 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 post-employment obligation, the following ranges of actuarial assumptions were used:

	2024	2023	2022
Group			
Discount rates	**6.06% - 6.13%**	6.28% - 7.00%	7.22% - 7.56%
Expected rate of salary increases	**3.50% - 6.00%**	4.00% - 8.00%	5.00% - 8.00%
Parent Company			
Discount rates	**6.09%**	6.88%	7.44%
Expected rate of salary increases	**5.00%**	5.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the Group's normal retiring age of 60 is based on the 2017 Philippine Intercompany Mortality table. 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 zero coupon government bonds 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 Group and Parent Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(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 assets of the Group and Parent Company are significantly invested in equity and debt securities, while the Group and Parent Company also invests in cash and cash equivalents and other investments. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group and Parent Company'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 during 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 Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment plan are described in the succeeding pages.

(i) Sensitivity Analysis

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

	Group		
	Impact on Post-employment Defined Benefit Obligation		
(Amounts in PHP)	**Change in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
2024:			
Discount rate	+/-1 %	**(379)**	**427**
Salary growth rate	+/-1 %	**428**	**(385)**
2023:			
Discount rate	+/-1 %	(462)	537
Salary growth rate	+/-1 %	565	(495)

	Parent Company		
	Impact on Post-employment Defined Benefit Obligation		
(Amounts in PHP)	**Change in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
2024:			
Discount rate	+/-1 %	**(346)**	**388**
Salary growth rate	+/-1 %	**388**	**(352)**
2023:			
Discount rate	+/-1 %	(469)	543
Salary growth rate	+/-1 %	548	(481)

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

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Parent Company through its RPC in coordination with the fund manager or RTC, ensures that the investment positions are managed considering the computed retirement obligations under the retirement plan. This strategy aims to match the plan assets to the retirement obligations due by investing in assets that are easy to liquidate (i.e., government securities, corporate bonds, equities with high value turnover).

As the Group's retirement obligations are in Philippine peso, all assets are invested in the same currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, various investments are made in a portfolio that may be liquidated within a reasonable period of time.

A large portion of the plan assets as of December 31, 2024 and 2023 consists of equity securities with the balance invested in fixed income securities and cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P2,629 and P2,639 in 2024 for the Group and Parent Company, respectively, based on the latest funding actuarial valuations in 2024.

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

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Less than one year	**655**	416	**638**	405
More than one year to five years	**3,093**	1,966	**2,957**	1,850
More than five years to ten years	**4,587**	4,906	**4,331**	4,683
More than ten to fifteen years	**22**	23	**-**	-
More than fifteen years	**20**	22	**-**	-
	8,377	7,333	**7,926**	6,938

The Group and Parent Company expect to contribute P21 and nil, respectively, to the plan in 2025.

24. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

24.1 Miscellaneous Income

		Group		
(Amounts in PHP)	Notes	**2024**	2023	2022
Recoveries from written off assets		**651**	600	486
Dividend income	10.1,10.2	**322**	318	311
Rentals	14.2, 28.2(b)	**283**	424	872
Gain on extinguishment of loan		**-**	390	890
Others		**210**	77	145
		1,466	1,809	2,704

		Parent Company		
(Amounts in PHP)	Notes	**2024**	2023	2022
Recoveries from written off assets		**651**	600	486
Dividend income	10.2	**273**	252	227
Rentals	14.2			
	27.7 (b)	**62**	57	261
Gain on extinguishment of loan		**-**	390	890
Others		**175**	74	148
		1,161	1,373	2,012

In 2023, the Bank recovered settlement-related fees from HHIC-Phil, Inc. related to the full collection of its outstanding receivables and was recognized as Gain on extinguishment of loan under Miscellaneous Income in the 2023 statement of profit or loss.

Miscellaneous income classified as Others includes rebates, penalty charges and other income items that cannot be appropriately classified under any of the foregoing income accounts.

24.2 Miscellaneous Expenses

(Amounts in PHP)	Group		
	2024	2023	2022
Credit card-related expenses	**2,361**	1,756	1,302
Insurance	**1,978**	1,821	1,543
Service and processing fees	**1,168**	845	776
Litigation/assets acquired expenses	**830**	823	600
Advertising and publicity	**629**	501	322
Communication and information services	**616**	631	582
Management and other professional fees	**553**	539	505
Employee activities	**282**	302	315
Banking fees	**226**	417	376
Stationery and office supplies	**191**	208	140
Information services	**179**	204	111
Other outside services	**154**	132	122
Donation and charitable contribution	**130**	182	107
Transportation and travel	**102**	167	225
Christmas expenses	**35**	14	13
Representation and entertainment	**23**	51	55
Membership fees	**20**	22	21
Fines and penalties	**4**	33	137
Others	**454**	635	695
	9,935	9,283	7,947

(Amounts in PHP)	Parent Company		
	2024	2023	2022
Credit card-related expenses	**2,347**	1,744	1,279
Insurance	**1,976**	1,819	1,541
Service and processing fees	**1,950**	1,581	1,418
Litigation/assets acquired expenses	**827**	818	589
Advertising and publicity	**625**	495	465
Communication and information services	**586**	604	552
Management and other professional fees	**504**	499	318
Employee activities	**278**	300	314
Banking fees	**218**	412	370
Stationery and office supplies	**186**	204	135
Information services	**178**	204	110
Other outside services	**155**	108	106
Donation and charitable contribution	**129**	151	213
Transportation and travel	**85**	132	122
Christmas expenses	**35**	14	13
Membership fees	**18**	20	19
Representation and entertainment	**11**	42	48
Fines and penalties	**1**	31	136
Others	**552**	613	660
	10,661	9,791	8,408

The Group's other expenses are composed of freight, various processing fees, fines and penalties, and seasonal giveaways. The Group and Parent Company's other expenses also include fees for records, facilities and management services to a related party under common control amounting to P540, P728, and P688 in 2024, 2023 and 2022, respectively (see Note 27).

25. INCOME AND OTHER TAXES

Under Philippine tax laws, the regular banking unit (RBU) of the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST).

RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

The recognition of liability of the Parent Company and certain subsidiaries for GRT is based on the related regulations issued by the tax authorities.

Income taxes include the regular corporate income tax (RCIT), and final tax paid at the rate of 20%, which represents the final withholding tax on gross interest income from government securities and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to certain percentage of interest income subjected to final tax. Minimum corporate income tax (MCIT) of 1% or 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against regular income tax liability in the next three consecutive years. In addition, ordinarily, the Group's net operating loss carry over (NOLCO) is allowed as a deduction from taxable income in the next three consecutive years.

However, pursuant to Section 4 (bbb) of Bayanihan to Recover as One (BARO) Act and as implemented under Revenue Regulation 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2021 and 2022 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

Effective May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% gross income tax.

Interest income on deposits with other FCDUs and offshore banking units is subject to 15.0% final tax effective January 1, 2018.

In 2024, 2023 and 2022, the Group opted to continue claiming itemized deductions for income tax purposes.

The Parent Company's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

25.1 Current and Deferred Taxes

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Parent Company.

- RCIT was reduced from 30% to 25% starting July 1, 2020;
- MCIT was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- The allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

Starting July 1, 2023, corporations, excluding non-profit proprietary educational institutions and hospitals, and non-resident foreign corporations, will be subject to the original 2% MCIT rate based on their gross income.

The tax expense as reported in the statements of profit or loss consists of:

	Group		
	2024	2023	2022
(Amounts in PHP)			
Current tax expense:			
Final tax	**2,971**	2,659	1,564
RCIT at 25%	**979**	222	286
Excess MCIT over RCIT	**6**	452	252
	3,956	3,333	2,102
Application of MCIT	**(226)**	-	-
	3,730	3,333	2,102
Deferred tax income arising from origination and reversal of temporary differences	**(262)**	(2,035)	(534)
	3,468	1,298	1,568

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
Current tax expense:			
Final tax	**2,968**	2,578	1,553
RCIT at 25%	**829**	117	209
Excess MCIT over RCIT	**-**	431	251
	3,797	3,126	2,013
Application of MCIT	**(226)**	-	-
	3,571	3,126	2,013
Deferred tax income arising from origination and reversal of temporary differences	**(227)**	(1,843)	(495)
	3,344	1,283	1,518

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

	Group		
	2024	2023	2022
(Amounts in PHP)			
Tax on pretax profit at 25%	**3,247**	3,379	3,412
Adjustments for income subjected to lower income tax rates	**(1,111)**	(2,702)	(399)
Tax effects of:			
Non-deductible expenses	**1,691**	1,268	504
FCDU income	**1,119**	296	(780)
Non-taxable income	**(1,014)**	(699)	(562)
Unrecognized temporary differences	**(29)**	(692)	(852)
Excess MCIT over RCIT	**11**	431	252
Recognition of previously unrecognized deferred tax asset	**(441)**	-	-
Utilization of NOLCO	**(35)**	-	-
Others	**30**	17	(7)
	3,468	1,298	1,568

	Parent Company		
	2024	2023	2022
(Amounts in PHP)			
Tax on pretax profit at at 25%	**3,216**	3,375	3,399
Adjustments for income subjected to lower income tax rates	**(1,284)**	(2,757)	(397)
Tax effects of:			
Non-deductible expenses	**1,642**	1,227	481
FCDU income	**1,119**	296	(780)
Non-taxable income	**(908)**	(605)	(511)
Recognition of previously unrecognized deferred tax asset	**(441)**	-	-
Unrecognized temporary difference	**-**	(684)	(925)
Excess MCIT over RCIT	**-**	431	251
	3,344	1,283	1,518

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2024 and 2023 relate to the operations of the Parent Company and certain subsidiaries as shown below.

	Statements of Financial Position		**Statements of Profit or Loss**		
	2024	2023	**2024**	2023	2022
(Amounts in PHP)					
Allowance for impairment	**3,935**	3,360	**560**	435	140
Post-employment benefit obligation	**1,260**	1,387	**(127)**	1,304	(19)
Excess MCIT over RCIT	**689**	990	**(301)**	452	252
NOLCO	**167**	38	**129**	(156)	161
Others	**1**	-	**1**	-	-
Deferred tax assets – net	**6,052**	5,775			
Deferred tax income – net			**262**	2,035	534

The deferred tax assets of the Parent Company recognized in its statements of financial position as of December 31, 2024 and 2023 is shown below.

	Statements of Financial Position		Statements of Profit or Loss		
	2024	2023	**2024**	2023	2022
(Amounts in PHP)					
Allowance for impairment	**3,631**	3,018	**613**	271	99
Post-employment benefit obligation	**1,227**	1,387	**(160)**	1,296	(15)
Excess MCIT over RCIT	**682**	908	**(226)**	431	251
NOLCO	**38**	38	**-**	(155)	160
Deferred tax assets – net	**5,578**	5,351			
Deferred tax income – net			**227**	1,843	495

The Parent Company and certain subsidiaries have not recognized deferred tax assets on certain temporary differences since management believes that the Parent Company and certain subsidiaries may not be able to generate sufficient taxable profit in the future against which the tax benefits arising from those deductible temporary differences, NOLCO and other tax credits can be utilized.

The unrecognized deferred tax assets relate to the following:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Allowance for impairment	**1,009**	1,551	**985**	759
NOLCO	**24**	221	**-**	-
Excess MCIT over RCIT	**10**	33	**-**	-
Post-employment benefit obligation	**-**	406	**-**	-
Others	**5**	-	**-**	-
	1,048	2,211	**985**	759

Consequently, deferred tax liabilities were also not recognized on certain taxable temporary differences as the settlement of those can be offset by the available deductible temporary differences in the future.

In addition, deferred tax liabilities on accumulated translation adjustments, relating to its foreign subsidiaries were not recognized since their reversal can be led, and it is probable that the temporary difference will not reverse in the foreseeable future.

NOLCO can be claimed as deduction from future taxable income within three and five years from the year the taxable loss was incurred. In accordance with BARO Act, NOLCO incurred in 2020 and 2021 can be claimed as a deduction from the gross income until 2025 and 2026, respectively.

The details of the Group's NOLCO are shown below.

(Amounts in PHP)

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2024	257	-	-	257	2027
2023	210	-	-	210	2026
2022	749	494	-	255	2025
2021	140	139	-	1	2026
2020	249	208	-	41	2025
	1,605	841	-	764	

The details of the Parent Company's NOLCO are shown below:

(Amounts in PHP)

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2022	640	490	-	150	2025
2021	132	132	-	-	2026
	772	622	-	150	

The breakdown of the Group's excess MCIT over RCIT with the corresponding validity periods follows:

(Amounts in PHP)

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2024	10	-	-	10	2027
2023	435	-	-	435	2026
2022	254	-	-	254	2025
2021	231	226	5	-	2024
2020	7	1	6	-	2023
	937	227	11	699	

The breakdown of the Parent Company's excess MCIT over RCIT with the corresponding validity periods follows:

(Amounts in PHP)

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2023	431	-	-	431	2026
2022	251	-	-	251	2025
2021	226	226	-	-	2026
	908	226	-	682	

25.2 Supplementary Information Required Under Revenue Regulation No. 15-2010

The Bureau of Internal Revenue (BIR) issued RR 15-2010 on November 25, 2010 which require certain tax information to be disclosed as part of the notes to financial statements. Such supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the SEC rules and regulations covering form and content of financial statements under the Revised Securities Regulation Code Rule 68.

The Parent Company presented this tax information required by the BIR as a supplemental schedule filed separately from the basic financial statements.

26. TRUST OPERATIONS

In 2023 and prior years, the Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The resources, liabilities and income or loss arising thereon are excluded from these financial statements, as these are neither resources nor income of the Group.

Securities and properties (other than deposits) held by the Parent Company in fiduciary or agency capacity for its customers are not included in the financial statements, since these are not resources of the Parent Company. The Group and Parent Company's total trust resources amounted to P155,705 as of December 31, 2023 (see Note 33).

Investment in government securities which are shown as part of Investment securities at amortized cost (see Note 10.3) with a total face value of P1,324 as of December 31, 2023, for both the Group and the Parent Company are deposited with the BSP as security for faithful compliance with fiduciary obligations.

Income from trust operations, shown as Trust fees under Other Operating Income account, amounted to P423 and P415 in 2023 and 2022, respectively, in the Group and Parent Company's statements of profit or loss.

On November 28, 2022, the Parent Company's BOD approved the spin-off of the Bank's Trust operations into a separate corporate entity, which materialized on March 27, 2023 when RTC was incorporated to become a separate trust corporation, which commenced operations in January 2, 2024 (see Note 1.1).

27. RELATED PARTY TRANSACTIONS

The Group and Parent Company's related parties include its ultimate parent company, subsidiaries, associates, entities under common ownership, key management personnel and others.

The RPT Committee, which meet monthly and as necessary, review proposed RPT within the materiality threshold to determine whether or not the transaction is on terms no less favorable to the Group than terms available to any unconnected third party under the same or similar circumstances. On favorable review, the RPT Committee endorse transactions to the BOD for approval.

All material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. Transactions amounting to 10% or more of the consolidated total resources based on the latest audited consolidated financial statements entered into with related parties are considered material.

A summary of the Group and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2024, 2023 and 2022 is presented below.

		Group					
		2024		2023		2022	
(Amounts in PHP)	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Due from other banks	27.1	**113**	**2,009**	1,860	1,896	(2,299)	36
Loans and receivables	27.2	**-**	**-**	-	-	(96)	-
Deposit liabilities	27.3	**(239)**	**3,277**	846	3,516	670	2,670
Bills payable	27.6	**710**	**14,870**	14,160	14,160	-	-
Interest expense on deposits	27.3	**216**	**-**	60	-	46	-
Cash received from issuance of shares of stock	22.2	**-**	**-**	9,287	-	-	-
Associates							
Loans and receivables	27.2	**(104)**	**-**	104	104	-	-
Deposit liabilities	27.3	**6,236**	**6,905**	553	669	33	116
Interest expense on deposits	27.3	**83**	**-**	12	-	2	-
Sale of investment securities	27.4	**3,678**	**-**	-	-	-	-
Purchase of investment securities	27.4	**1,186**	**-**	-	-	-	-
Service processing fees	27.5	**45**	**45**	-	-	-	-
Related Parties Under Common Ownership							
Loans and receivables	27.2	**2,432**	**5,605**	(424)	3,173	2,782	3,597
Deposit liabilities	27.3	**5,953**	**19,182**	6,204	13,229	4,009	7,025
Interest income from loans and receivables	27.2	**326**	**-**	176	-	98	-
Interest expense on deposits	27.3	**1,035**	**-**	105	-	56	-
Gain on assets sold	27.7 (f)	**-**	**2,139**	2,288	2,139	2,352	-
Occupancy and equipment-related expenses	27.7 (b)	**1,446**	**-**	1,421	-	1,061	-
Miscellaneous expenses – others	24.2	**540**	**-**	728	-	688	-

		Group					
		2024		2023		2022	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
(Amounts in PHP)							
Key Management Personnel							
Loans and receivables	27.2	(3)	35	4	38	14	34
Deposit liabilities	27.3	(33)	729	337	762	106	425
Interest expense on deposits	27.3	53	-	7	-	4	-
Salaries and employee benefits	27.7 (g)	572	-	582	-	565	-
Interest income from loans and receivables	27.2	2	-	-	-	-	-
Other Related Interests							
Loans and receivables	27.2	(221)	23,205	2,511	23,426	1,903	20,915
Deposit liabilities	27.3	(3,917)	9,835	(54)	13,752	8,372	13,806
Interest income from loans and receivables	27.2	1,590	-	856	-	824	-
Interest expense on deposits	27.3	149	-	133	-	137	-
Occupancy and equipment-related expenses	27.7 (b)	403	-	524	-	12	-
Gain on assets sold	13	-	-	3,051	-	-	-

		Parent Company					
		2024		2023		2022	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
(Amounts in PHP)							
Stockholders							
Due from other banks	27.1	113	2,009	1,860	1,896	(2,299)	36
Loans and receivables	27.2	-	-	-	-	(96)	-
Deposit liabilities	27.3	(241)	3,269	840	3,510	670	2,670
Bills payable	27.6	710	14,870	14,160	14,160	-	-
Interest expense on deposits	27.3	215	-	60	-	46	-
Cash received from issuance of shares of stock	22.2	-	-	9,287	-	-	-

		Parent Company					
		2024		2023		2022	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
(Amounts in PHP)							
Subsidiaries							
Loans and receivables	27.2	**(40)**	**-**	40	40	-	-
Deposit liabilities	27.3	**(1,031)**	**888**	426	1,919	(1,159)	1,493
Interest expense on deposits	27.3	**34**	**-**	8	-	6	-
Dividend	12	**167**	**160**	92	-	71	-
Rental income	27.7 (a)	**223**	**-**	221	-	199	-
Occupancy and equipment-related expenses	27.7 (a)	**169**	**-**	176	-	162	-
Service and processing fees	27.7 (b)	**909**	**-**	744	-	650	-
Sale of investment securities	27.4	**-**	**-**	828	-	1,780	-
Purchase of investment securities	27.4	**520**	**-**	2	-	620	-
Assignment of receivables	11	**(18)**	**87**	(22)	105	-	127
Associates							
Loans and receivables	27.2	**(104)**	**-**	104	104	-	-
Deposit liabilities	27.3	**6,236**	**6,905**	553	669	15	116
Interest expense on deposits	27.3	**83**	**-**	12	-	2	-
Sale of investment securities	27.4	**3,678**	**-**	-	-	-	-
Purchase of investment securities	27.4	**1,186**	**-**	-	-	-	-
Service processing fees	27.5	**45**	**45**	-	-	-	-
Related Parties Under Common Ownership							
Loans and receivables	27.2	**2,432**	**5,605**	(424)	3,173	2,782	3,597
Deposit liabilities	27.3	**5,953**	**19,182**	6,204	13,229	2,112	7,025
Interest income from loans and receivables	27.2	**326**	**-**	176	-	98	-
Interest expense on deposits	27.3	**1,035**	**-**	105	-	56	-
Gain on assets sold	27.7 (f)	**-**	**2,139**	2,288	2,139	2,352	-
Occupancy and equipment-related expenses	27.7 (b)	**1,445**	**-**	1,418	-	1,061	-
Miscellaneous expenses – others	24.2	**539**	**-**	728	-	688	-

		Parent Company					
		2024		2023		2022	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
(Amounts in PHP)							
Key Management Personnel							
Loans and receivables	27.2	**1**	**31**	4	30	25	26
Deposit liabilities	27.3	**(31)**	**727**	345	758	107	413
Interest income from loans and receivables	27.2	**2**	**-**	-	-	-	-
Interest expense on deposits	27.3	**53**	**-**	7	-	4	-
Salaries and employee benefits	27.7 (g)	**358**	**-**	395	-	334	-
Other Related Interests							
Loans and receivables	27.2	**(249)**	**23,150**	2,501	23,399	2,368	20,898
Deposit liabilities	27.3	**(3,915)**	**9,834**	(49)	13,749	5,794	13,798
Interest income from loans and receivables	27.2	**1,587**	**-**	854	-	823	-
Interest expense on deposits	27.3	**149**	**-**	133	-	137	-
Occupancy and equipment-related expenses	27.7 (b)	**367**	**-**	489	-	12	-
Gain on assets sold	13	**-**	**-**	3,051	-	-	-

27.1 Due from Other Banks

The outstanding balances for due from other banks with certain Directors, Officers, Stockholders and Related Interests (DOSRIs) as of and for the periods ended December 31, 2024, 2023 and 2022 amounted to P2,009, P1,896, and P36, respectively.

27.2 Loans and Receivables

The summary of the Group and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2024, 2023 and 2022 are as follows:

	Group			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
(Amounts in PHP)				
2024:				
Associates	-	104	-	-
Related parties under common ownership	3,566	1,134	326	5,605
Key management personnel	6	9	2	35
Other related interests	4,338	4,559	1,590	23,205
	7,910	**5,806**	**1,918**	**28,845**
2023:				
Associates	104	-	-	104
Related parties under common ownership	700	1,124	176	3,173
Key management personnel	20	16	-	38
Other related interests	7,822	5,311	856	23,426
	8,646	6,451	1,032	26,741
2022:				
Stockholders	-	96	-	-
Related parties under common ownership	5,360	2,578	98	3,597
Key management personnel	26	1	-	34
Other related interests	4,276	2,373	824	20,915
	9,662	5,048	922	24,546

	Parent Company			
Related Party Category	Issuances	Repayments	Interest Income	Loans Outstanding
(Amounts in PHP)				
2024:				
Subsidiaries	-	40	-	-
Associates	-	104	-	-
Related parties under common ownership	3,566	1,134	326	5,605
Key management personnel	3	2	2	31
Other related interests	4,294	4,543	1,587	23,150
	7,863	**5,823**	**1,915**	**28,786**
2023:				
Subsidiaries	40	-	-	40
Associates	104	-	-	104
Related parties under common ownership	700	1,124	176	3,173
Key management personnel	4	-	-	30
Other related interests	7,797	5,296	854	23,399
	8,645	6,420	1,030	26,746
2022:				
Stockholders	-	96	-	-
Related parties under common ownership	5,360	2,578	98	3,597
Key management personnel	26	1	-	26
Other related interests	4,729	2,361	823	20,898
	10,115	5,036	921	24,521

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain DOSRIs. Under existing policies of the Group, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

As of December 31, 2024, 2023 and 2022, the Group and Parent Company is in compliance with these regulatory requirements.

As of December 31, 2024, 2023 and 2022, the Group has not recognized impairment loss on loans and receivables from DOSRI.

27.3 Deposit Liabilities

The summary of the Group and Parent Company's significant transactions and the related outstanding balances for deposit liabilities with its related parties as of and for the years ended December 31, 2024, 2023 and 2022 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
(Amounts in PHP)				
2024:				
Stockholders	8,414	8,653	216	3,277
Associates	394,155	387,919	83	6,905
Related parties under common ownership	488,561	482,608	1,035	19,182
Key management personnel	16,524	16,557	53	729
Other related interests	213,328	217,245	149	9,835
	1,120,982	**1,112,982**	**1,536**	**39,928**
2023:				
Stockholders	10,511	9,665	60	3,516
Associates	49,646	49,093	12	669
Related parties under common ownership	200,946	194,742	105	13,229
Key management personnel	862	525	7	762
Other related interests	192,634	192,688	133	13,752
	454,599	446,713	317	31,928
2022:				
Stockholders	10,299	9,629	46	2,670
Associates	48,691	48,658	2	116
Related parties under common ownership	198,903	194,894	56	7,025
Key management personnel	844	738	4	425
Other related interests	191,435	183,063	137	13,806
	450,172	436,982	245	24,042

Related Party Category	Parent Company Deposits	Withdrawals	Interest Expense	Outstanding Balance
(Amounts in PHP)				
2024:				
Stockholders	8,412	8,653	215	3,269
Subsidiaries	150,483	151,514	34	888
Associates	394,155	387,919	83	6,905
Related parties under common ownership	488,561	482,608	1,035	19,182
Key management personnel	16,526	16,557	53	727
Other related interests	213,330	217,245	149	9,834
	1,271,467	**1,264,496**	**1,569**	**40,805**
2023:				
Stockholders	10,505	9,665	60	3,510
Subsidiaries	144,725	144,299	8	1,919
Associates	49,646	49,093	12	669
Related parties under common ownership	200,946	194,742	105	13,229
Key management personnel	862	517	7	758
Other related interests	192,634	192,683	133	13,749
	599,318	590,999	325	33,834
2022:				
Stockholders	10,299	9,629	46	2,670
Subsidiaries	141,887	143,046	6	1,493
Associates	48,673	48,658	2	116
Related parties under common ownership	197,006	194,894	56	7,025
Key management personnel	845	738	4	413
Other related interests	188,857	183,063	137	13,798
	587,567	580,028	251	25,515

Deposit liabilities transactions with related parties have similar terms with third party depositors.

27.4 Sale and Purchase of Securities

The Parent Company and certain subsidiaries engage in the trading of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period.

27.5 Retirement Fund

The Parent Company and certain subsidiaries' retirement funds covered under their post-employment plan maintained for qualified employees are administered and managed by RTC in accordance with the respective trust agreements covering the plan.

The retirement funds have transactions with the Group and Parent Company as of December 31, 2024, 2023 and 2022 as follows:

	Group		**Parent Company**	
Nature of Transactions	**Net Amount Transaction**	**Outstanding Balance**	**Net Amount Transaction**	**Outstanding Balance**
(Amounts in PHP)				
2024:				
Investment in common shares of Parent Company	**32**	**425**	**31**	**418**
Deposits with the Parent Company	**2**	**40**	**-**	**-**
Fair value gains	**32**	**-**	**31**	**-**
Post-employment benefit asset	**120**	**2,745**	**81**	**2,746**
2023:				
Investment in common shares of Parent Company	(862)	393	(862)	387
Investments in corporate debt securities of Parent Company	(2)	-	-	-
Deposits with the Parent Company	4	38	(4)	-
Fair value gains	(12)	-	(12)	-
Interest income	2	-	-	-
Post-employment benefit asset	3,127	2,625	3,127	2,665
2022:				
Investment in common shares of Parent Company	215	1,255	214	1,249
Investments in corporate debt securities of Parent Company	(2)	2	-	-
Deposits with the Parent Company	(49)	34	(49)	4
Fair value gains	1	-	191	-
Interest income	1	-	-	-

On March 16, 2023, the Bank transferred and leased back certain real estate properties to Frame Properties, Inc. for a 100% ownership in the latter, which was subsequently transferred to the post-employment defined benefit plan as contribution to the plan assets (see Notes 13 and 23.2). The sale qualified as a sale and leaseback and was accounted under PFRS 16. Right-of-use asset and lease liability recognized amounted to P554 and P1,915, respectively. Lease payments made on the lease amounted to P361 and P321 during 2024 and 2023, respectively.

The carrying amount and the composition of the plan assets as of December 31, 2024, 2023 and 2022 are disclosed in Note 23.2. Investments in corporate debt securities include LTNCD issued by the Parent Company.

The information on the Group and Parent Company's contributions to the retirement fund and benefit payments through the fund are disclosed in Note 23.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens.

27.6 Bills Payable

The outstanding balances for bills payable with its related parties as of December 31, 2024 and 2023 amounted to P14,870 and P14,160, respectively.

27.7 Other Related Party Transactions

(a) Sale of ATYC to ATYCI

In 2022, the Parent Company sold to ATYCI and immediately leased back from the later a portion of its bank premises and investment properties pertaining to ATYC (see Notes 13 and 14).

(b) Lease Contracts with ATYCI and RRC and Sublease Agreement with Subsidiaries

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC [see Note 28.2(b)]. In October 2022, the Parent Company entered into a five-year lease agreement with ATYCI [see Notes 13 and 27.7 (a)]. Amortization of right-of-use of asset amounted to P553, P719 and P400 for the years ended December 31, 2024, 2023 and 2022, respectively, and are presented as part of Depreciation and Amortization account in the statements of profit or loss. The Parent Company's lease contract with RRC and ATYCI is effective until December 31, 2025 and September 30, 2027, respectively.

The Parent Company entered into sublease agreements with certain subsidiaries which occupy several floors of RCBC Plaza. Rental income by Parent Company related to these sublease arrangements is included as part of Rentals under the Miscellaneous Income account in the statements of profit or loss (see Notes 14.2 and 24.1). The outstanding receivable on the lease contracts, if any, is presented as part of Accounts receivable under Loans and Receivables account in the statements of financial position (see Note 11). The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that the receivables on the sublease agreements are fully recoverable.

(c) Service Agreement with RBSC

The Parent Company has Service Agreement (the Agreement) with RBSC, wherein RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card, and personal and salary loans business. The total service processing fees incurred by the Parent Company is recognized as part of the Service and processing fees under the Miscellaneous expenses account in the statements of profit or loss (see Note 24.2). The outstanding payable related to the service agreement is presented as part of Accounts payable under Other Liabilities account in the statements of financial position (see Note 21). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

(d) Increase in Shareholding of SMBC

On November 2, 2022, the Bank's BOD approved the increase in shareholding of SMBC, an existing shareholder of 4.99% of the total outstanding common stock of the Bank, to 20% through the combined sale of subscription of an aggregate of 382 common stock to SMBC, partly coming from the reissuance of treasury shares and issuance of new common stock, at the price of P71 per share. The additional capital infusion was made on July 31, 2023 (see Notes 22.1 and 22.2).

(e) Donation of Properties from NPHI to RCBC

On July 7, 2023, NPHI executed a deed of donation transferring to the Parent Bank certain real estate properties with a carrying amount of P2. On November 6, 2023, these properties were subsequently sold by the Parent Bank to PMMIC for a total consideration amounting to P57.

(f) Sale of Tarlac Property to a Subsidiary of HOI

On December 29, 2023, the Parent Company sold a property located in Tarlac with a selling price of P2,673 and a carrying amount of P385 resulting to a P2,288 gain, presented as part of Gain on assets sold – net under Other Operating Income in the 2023 statement of profit or loss (see Notes 15.1 and 30).

(g) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2024	2023	2022
(Amounts in PHP)			
Short-term employee benefits	**546**	566	555
Post-employment defined benefits	**26**	16	10
	572	582	565

	Parent Company		
	2024	2023	2022
Short-term employee benefits	**358**	395	334

(h) Lease Contracts with Frame Properties, Inc.

The Parent Company and certain subsidiaries leases office spaces and parking space from Frame Properties, Inc. In March 31, 2023, the Parent Company entered into a five-year lease agreement with Frame Properties, Inc.

In 2024, the Bank amended its lease contract with Frame Properties, Inc. to revise area occupied and lease rate for selected properties resulting in a reduction in right-of-use asset and lease liability amounting to P9 and P41, respectively.

Amortization of right-of-use of asset amounted to P227 and P199 for the years ended December 31, 2024 and 2023, respectively, and are presented as part of Depreciation and Amortization account in the statements of profit or loss. The Parent Company's lease contract with Frame Properties, Inc. is effective until March 30, 2028.

28. COMMITMENTS AND CONTINGENCIES

In the normal course of operations of the Group and Parent Company, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, tax assessments, claims from customers and third parties, etc., with amounts not reflected in the financial statements. Management does not anticipate losses from these transactions that will adversely affect the Group's and Parent Company's operations.

In the opinion of management, the suits and claims arising from the normal course of operations of the Group and Parent Company that remain unsettled, if decided adversely, will not involve sums that would have material effect on the Group's and Parent Company's financial position or operating results.

28.1 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

In February 2016, four (4) allegedly unauthorized fund transfers were made into four (4) accounts with the Bank from Bangladesh Bank's account with the Federal Reserve Bank of New York (NY Fed), before being further dispersed to other banks and casinos. In August 2016, the MB imposed a P1,000 fine upon the Bank, which it paid in full, without any effect on its ability to perform its existing obligations or its operations.

28.1.1 U.S. Litigation Relating to the Bangladesh Bank Incident

Failing to prosecute the Bank under the Federal Racketeer Influence and Corrupt Organizations Act, Bangladesh Bank initiated a second complaint before the New York State Court (NY State Court) on May 27, 2020. The Bank has since sought the dismissal of this second case, citing (a) New York's lack of personal jurisdiction over it; (b) the impropriety of New York as a forum, given the ongoing related proceedings in the Philippines and the location of material witnesses/evidence; and (c) the untenable nature of the fraud charge against the Bank due to the lack of any fiduciary duty to Bangladesh Bank.

In a Decision/Order dated January 13, 2023, the NY State Court denied the Bank's Motion to Dismiss, ruling, among others, that (a) it has jurisdiction over the case, as the Bank's mere act of maintaining correspondent accounts in New York is purportedly tantamount to conducting business in the said jurisdiction; (b) it is irrelevant that the Bank was not the entity which initiated the transfer of funds; (c) the NY State Court will properly focus on the theft which occurred in New York and not the laundering of the funds stolen; and (c) the location of the witnesses/documents favor New York.

The Bank timely filed its Answer within the extension period granted by the NY State Court. The Bank likewise participated in the May 16, 2023 court-mandated mediation; which, however, failed and was terminated. The parties are currently availing of the different modes of discovery as directed by the NY State Court, the deadline of which is now on May 7, 2025. Thereafter, Depositions are expected to commence on May 12, 2025.

28.1.2 U.S. Appellate Litigation at the Supreme Court of the State of New York Appellate Division, First Judicial Department (the NY Appellate Division, First Judicial Department) relating to the Bangladesh Bank Incident

The Bank filed its appeal on the aforecited January 13, 2023 Decision/Order of the NY State Court, and timely filed its Appellant's Brief on July 19, 2023. The Bank argued that, in denying its Motion to Dismiss, the NY State Court practically reversed its earlier Decision/rulings on the very same issues which had resulted in the dismissal of the case against the Philippine casinos.

The Bank further pointed out that (a) the NY Appellate Division, First Judicial Department in Bangladesh Bank v. Rizal Commercial Banking Corp. 216 AD 3d590 (the Bloomberry case) has affirmed (1) the correctness of the aforesaid dismissal, as with the NY State Court's ruling that New York does not have a substantial nexus to the action; and (2) that the Philippines is a viable alternate forum; and (b) given the lack of material distinction between the facts/circumstances of the now-final Decision in the Bloomberry case and the Bank's case, the assailed NY State Court's Decision/Order dated January 13, 2023 violates the said judicial precedent and must be set aside.

Bangladesh Bank, on the other hand, (a) made it appear that the NY Fed was the target of the supposed conspirators when (1) its Complaint states otherwise; and (2) the NY Fed, in the Bloomberry case, stated that there was no evidence of any attempt to actually penetrate the Federal Reserve System or that the same was compromised; (b) now claimed that it is a quasi in rem resident of New York via its ownership of a bank account in New York with hundreds of millions of dollars; and (c) tried to downplay the significance of the Bloomberry case Decision, claiming that the Philippine casinos were involved in money laundering while the Bank was involved in the conspiracy and theft of funds.

In a Decision and Order dated 29 February 2024, the Appellate Division, First Judicial Department of the Supreme Court of the State of New York (the "Appellate Court") dismissed three (3) causes of action (i.e., conversion aiding and abetting conversion, and conspiracy to commit conversion) against the Bank and its impleaded officers.

The Appellate Court likewise dismissed the case against four of the Bank's officers. It was held, however, that the case can proceed against the Bank and the remaining defendants on the other causes of action.

Appeals were file but all were denied. No further development is expected in this case. This appeal is now considered closed.

28.1.3 Philippine Litigation Relating to the Bangladesh Bank Incident

After initially issuing differing rulings on whether Bangladesh Bank was properly served with summons and even dismissing the case, the Makati Trial Court, in its Resolution dated May 31, 2023, (a) reinstated the same; and (b) deputized Bangladesh Bank's Philippine counsel to serve summons upon its client, citing Sec. 13, Rule 14 of the 2019 Amendments to the 1997 Rules of Civil Procedure. The Makati Trial Court reiterated this ruling in its Resolution dated October 11, 2023, which denied Bangladesh Bank's Motion for Reconsideration. Instead of appealing the resolution of the Makati Trial Court, Bangladesh Bank filed a Memorandum of Authorities dated 7 December 2023. In an Order dated 27 February 2024, the Makati Trial Court held that the matter regarding Bangladesh Bank's state immunity is deemed submitted for resolution.

RCBC continues to deny liability and is vigorously defending itself against Bangladesh Bank's claims. As discussed above, the Court has dismissed several causes of action asserted against RCBC. Discovery is ongoing and the parties will continue to exchange documents and proceed to depositions over the next several months. To date, document discovery by the parties does not clearly establish that RCBC officers or directors engaged in or had knowledge of the intentional wrongdoing alleged by Bangladesh Bank.

Except for the matters discussed above, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely, would have a material effect on its financial position or operating results.

28.2 Lease Commitments – Group as a Lessor

a. Finance Lease

The Group, as a lessor, enters into finance leases covering various equipment and vehicles with lease term ranging one to more than five years. To manage its risks over these finance leases, the Group retains its legal title over the underlying assets and are used as securities over the finance lease receivables. The Group's future minimum lease payments receivable (MLPR) under this finance lease together with the present value of net minimum lease payments receivable (NMLPR) are shown below:

	2024		2023	
	Future MLPR	**PV of NMLPR**	Future MLPR	PV of NMLPR
(Amounts in PHP)				
Within one year	**145**	**138**	244	233
After one year but not more than two years	**741**	**641**	521	474
After two years but not more than three years	**268**	**231**	622	531
After three years but not more than four years	**15**	**12**	143	117
After four years but not more than five years	**190**	**151**	289	222
More than five years	**39**	**29**	13	10
Total MLPR	**1,398**	**1,202**	1,832	1,587
Unearned lease income	**(196)**	**-**	(245)	-
Present value of MLPR	**1,202**	**1,202**	1,587	1,587

The only change in the carrying amount of the net investment in finance leases during the year is the amortization of finance income. The net investment relating to this finance lease is presented as Lease contract receivables under Loans and Receivables account in the statements of financial position (see Note 11). The interest income from the finance leases amount to P226, P323, and P202 in 2024, 2023 and 2022, respectively, and is presented as part of is recognized as part of Interest Income in the statements of profit or loss (see Note 11).

b. Operating Lease

Prior to the sale of the ATYC, the Group and Parent Company has entered into various lease contracts related to this property, with lease terms ranging from one to five years and with monthly rent depending on market price with 6% escalation rate every year. Moreover, RRC entered into several lease agreements for lease of machineries and equipment for a period of one to more than five years. Total rent income earned from these leases amounted to P283, P424, and P872 in 2024, 2023, and 2022, respectively, which are presented as Rentals under the Miscellaneous Income account in the statements of profit or loss (see Note 24.1).

The Group is subject to risk incidental to the leasing operations which include, among others, changes in the market rental rates, inability to renew leases upon lease expiration and inability to collect rent from lessees due to bankruptcy or insolvency of lessees. To mitigate these risks, lessees pay guarantee deposit ranging from 10% to 20% of the value of the leased assets, which is forfeited in case a lessee pre-terminates without prior notice or before the expiry of lease terminate without cause.

There are no variable lease rentals as of December 31, 2024, 2023, and 2022.
The Group's and Parent Company's future minimum rental receivables under this non-cancellable operating lease arrangement are as follows:

	Group		
	2024	2023	2022
(Amounts in PHP)			
Within one year	**326**	338	598
After one year but not more than two years	**140**	312	444
After two years but not more three five years	**45**	126	392
After three years but not more than four years	**16**	31	173
After four years but not more than five years	**3**	7	13
	530	814	1,620

28.3 Capital Commitments

As of December 31, 2024 and 2023, the Group and Parent bank has no contractual commitment for the acquisition of Bank premises, furniture, fixtures and equipment, Intangible assets, and Investment properties (see Notes 13, 14 and 15).

29. EARNINGS PER SHARE

The following shows the Group's profit and per share data used in the basic and diluted EPS computations for the three years presented:

	2024	2023	2022
(Amounts in PHP)			
Net profit attributable to Parent Company's shareholders	**9,520**	12,218	12,080
Dividends paid to preferred shareholders and distributions allocated to holders of hybrid perpetual securities	**(1,096)**	(1,068)	(1,037)
	8,424	11,150	11,043
Weighted average number of outstanding common shares of stock	**2,420**	2,198	2,037
Basic and diluted EPS	**3.48**	5.07	5.42

The convertible preferred shares did not have a significant impact on the EPS for each of the periods presented. The Group and the Parent Company has no potential dilutive shares as of the end of each reporting period.

30. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

Significant non-cash transactions of the Group and the Parent Company include additional leases under PFRS 16 as discussed in Notes 13 and 27; disposals of bank premises and investment properties as discussed in Notes 13 and 14; sale and leaseback of properties to Frame Properties, Inc. for a 100% ownership which was subsequently transferred to retirement fund as discussed in Notes 13 and 27.4; reclassifications between investment properties to NCAHS as discussed in Notes 14 and 15; additions of real properties, chattel properties and other assets through foreclosures, dacion in payment and repossessions as discussed in Notes 14.1 and 15; and, partial settlement of certain loan in exchange of equity securities as discussed in Note 15.

In 2023, the Parent Company sold a property located in Tarlac with a total selling price of P2,673, which is paid partly in cash and through issuance of sales contract receivables [see Notes 15.1 and 27.7 (f)]. In 2022, the Parent Company disposed of a portion of its bank premises and investment properties with total selling price P6,065, which is paid partly in cash and through issuance of notes receivables [see Notes 11, 13, 14 and 27.7(a)].

On July 14, 2023, the Parent Company sold NPHI and Cajel to FLI for a total consideration price of P544, broken down into cash amounting to P190 and loans receivable amounting to P364 (see Note 12).

Presented below is the reconciliation of the Group and Parent Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Group				
	Bills Payable (see Note 18)	**Bonds Payable** (see Note 19)	**Lease Liability** (see Note 21)	**Hybrid Perpetual Securities** (see Note 22.4)	**Total Financing Activities**
(Amounts in PHP)					
Balance at January 1, 2024	50,858	34,939	6,687	14,463	106,947
Cash flow from financing activities:					
Availments/proceeds from issuance	43,948	23,138	-	-	67,086
Payments/redemption	(10,232)	(31,542)	(2,366)	-	(44,140)
Non-cash financing activities:					
Additional lease liabilities	-	-	669	-	669
Lease termination	-	-	(12)	-	(12)
Foreign exchange gains	2,042	718	-	-	2,760
Amortization of discount and interest	-	(114)	364	-	250
FV Hedge – bonds payable	-	(204)	-	-	(204)
Balance at December 31, 2024	**86,616**	**26,935**	**5,342**	**14,463**	**133,356**
Balance at January 1, 2023	66,660	74,411	5,500	14,463	161,034
Cash flow from financing activities:					
Availments/proceeds from issuance	15,333	-	-	-	15,333
Payments/redemption	(29,767)	(39,041)	(2,131)	-	(70,939)
Non-cash financing activities:					
Additional lease liabilities	-	-	2,983	-	2,983
Foreign exchange losses	(1,368)	(450)	-	-	(1,818)
Amortization of discount and interest	-	19	335	-	354
Balance at December 31, 2023	50,858	34,939	6,687	14,463	106,947
Balance at January 1, 2022	55,904	87,215	4,050	14,463	161,632
Cash flow from financing activities:					
Availments/proceeds from issuance	62,142	14,756	-	-	76,898
Payments/redemption	(52,865)	(31,170)	(2,265)	-	(86,300)
Non-cash financing activities:					
Additional lease liabilities	-	-	3,526	-	3,526
Foreign exchange gains	1,479	3,567	-	-	5,046
Amortization of discount and interest	-	43	189	-	232
Balance at December 31, 2022	66,660	74,411	5,500	14,463	161,034

	Parent Company				
	Bills Payable (see Note 18)	**Bonds Payable** (see Note 19)	**Lease Liability** (see Note 21)	**Hybrid Perpetual Securities** (see Note 22.4)	**Total Financing Activities**
(Amounts in PHP)					
Balance at January 1, 2024	43,957	34,939	7,029	14,463	100,388
Cash flow from financing activities:					
Availments/proceeds from issuance	41,100	23,138	-	-	64,238
Payments/redemption	(6,171)	(31,542)	(2,283)	-	(39,996)
Non-cash financing activities:					
Additional lease liabilities	-	-	456	-	456
Lease termination	-	-	(12)	-	(12)
Foreign exchange gains	2,042	718	-	-	2,760
Amortization of discount and interest	-	(114)	351	-	237
FV Hedge – bonds payable	-	(204)	-	-	(204)
Balance at December 31, 2024	**80,928**	**26,935**	**5,541**	**14,463**	**127,867**
Balance at January 1, 2023	58,391	74,411	5,913	14,463	153,178
Cash flow from financing activities:					
Availments/proceeds from issuance	15,333	-	-	-	15,333
Payments/redemption	(28,399)	(39,041)	(2,044)	-	(69,484)
Non-cash financing activities:					
Additional lease liabilities	-	-	2,976	-	2,976
Lease termination	-	-	(178)	-	(178)
Foreign exchange losses	(1,368)	(450)	-	-	(1,818)
Amortization of discount and interest	-	19	362	-	381
Balance at December 31, 2023	43,957	34,939	7,029	14,463	100,388
Balance at January 1, 2022	46,399	87,215	4,479	14,463	152,556
Cash flow from financing activities:					
Availments/proceeds from issuance	55,380	14,756	-	-	70,136
Payments/redemption	(44,867)	(31,170)	(2,189)	-	(78,226)
Non-cash financing activities:					
Additional lease liabilities	-	-	3,551	-	3,551
Foreign exchange gains	1,479	3,567	-	-	5,046
Amortization of discount and interest	-	43	72	-	115
Balance at December 31, 2022	58,391	74,411	5,913	14,463	153,178

31. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below and in the succeeding page shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	2024					
	Group			Parent Company		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
(Amounts in PHP)						
Financial Assets						
Cash and other cash items	23,003	-	23,003	22,907	-	22,907
Due from BSP	71,235	43,995	115,230	69,459	43,304	112,763
Due from other banks	14,569	-	14,569	14,433	-	14,433
Interbank loans receivables	32,567	-	32,567	32,567	-	32,567
Financial assets at FVTPL	10,234	-	10,234	9,525	-	9,525
Financial assets at FVOCI - net	95,890	62,740	158,630	95,215	62,739	157,954
Investments at amortized cost - net	18,349	241,873	260,222	17,515	241,872	259,387
Loans and other receivables - net	70,547	639,383	709,930	69,330	634,634	703,964
Other resources - net	1,688	-	1,688	1,669	-	1,669
	338,082	987,991	1,326,073	332,620	982,549	1,315,169
Non-financial Assets						
Investment in subsidiaries and associates - net	-	600	600	-	6,720	6,720
Bank premises, furniture, fixtures and equipment - net	-	8,033	8,033	-	7,060	7,060
Investment properties - net	-	695	695	-	695	695
Deferred tax asset - net	-	6,052	6,052	-	5,578	5,578
Other resources - net	16,419	2,281	18,700	15,305	2,625	17,930
	16,419	17,661	34,080	15,305	22,678	37,983
	354,501	1,005,652	1,360,153	347,925	1,005,227	1,353,152
Financial Liabilities						
Deposit liabilities	239,203	783,591	1,022,794	238,557	784,180	1,022,737
Bills payable	66,874	19,742	86,616	65,412	15,516	80,928
Bonds payable	-	26,935	26,935	-	26,935	26,935
Accrued interest and other expenses	8,342	2,024	10,366	9,431	1,881	11,312
Other liabilities	11,360	38,952	50,312	11,360	38,077	49,437
	325,779	871,244	1,197,023	324,760	866,589	1,191,349
Non-financial Liabilities						
Accrued interest and other expenses	1,294	-	1,294	7	-	7
Other liabilities	3,338	-	3,338	3,314	-	3,314
	4,632	-	4,632	3,321	-	3,321
	330,411	871,244	1,201,655	328,081	866,589	1,194,670

	2023					
	Group			Parent Company		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
(Amounts in PHP)						
Financial Assets						
Cash and other cash items	19,875	-	19,875	19,812	-	19,812
Due from BSP	94,369	57,393	151,762	93,714	57,057	150,771
Due from other banks	14,526	366	14,892	14,630	-	14,630
Loans and receivables arising from reverse repurchase agreements	35,799	-	35,799	34,948	-	34,948
Interbank loans receivables	27,780	-	27,780	27,780	-	27,780
Financial assets at FVTPL	7,166	4,612	11,778	6,342	4,612	10,954
Financial assets at FVOCI - net	2,256	80,181	82,437	3,814	77,943	81,757
Investments at amortized cost - net	4,385	232,142	236,527	386	235,346	235,732
Loans and other receivables - net	68,481	553,668	622,149	67,251	548,650	615,901
Other resources - net	1,459	-	1,459	1,457	-	1,457
	276,096	928,362	1,204,458	270,134	923,608	1,193,742
Non-financial Assets						
Investment in subsidiaries and associates - net	-	509	509	-	6,401	6,401
Bank premises, furniture, fixtures and equipment - net	-	9,129	9,129	-	7,805	7,805
Investment properties - net	-	543	543	-	543	543
Deferred tax asset - net	-	5,775	5,775	-	5,351	5,351
Other resources - net	12,764	5,154	17,918	12,523	4,525	17,048
	12,764	21,110	33,874	12,523	24,625	37,148
	288,860	949,472	1,238,332	282,657	948,233	1,230,890
Financial Liabilities						
Deposit liabilities	199,862	756,850	956,712	199,179	758,190	957,369
Bills payable	44,991	5,867	50,858	42,314	1,643	43,957
Bonds payable	30,809	4,130	34,939	30,809	4,130	34,939
Accrued interest and other expenses	5,985	4,760	10,745	5,695	4,780	10,475
Other liabilities	19,252	9,428	28,680	18,665	9,243	27,908
	300,899	781,035	1,081,934	296,662	777,986	1,074,648
Non-financial Liabilities						
Accrued interest and other expenses	1,337	-	1,337	1,311	-	1,311
Other liabilities	2,747	39	2,786	2,665	-	2,665
	4,084	39	4,123	3,976	-	3,976
	304,983	781,074	1,086,057	300,638	777,986	1,078,624

32. OTHER MATTERS

32.1 Impact of Global Conflicts

The ongoing Russia-Ukraine war since February 24, 2022 led to higher global crude oil and other commodity prices in 2022 which partly bloated the Philippines' imports and trade deficit to record levels. This resulted in elevated inflation worldwide which triggered aggressive Federal rate hikes that supported a strong U.S. dollar earlier in 2022.

This event prompted BSP to implement local policy rate hikes totaling 350 basis points in 2022 and another 50 bps this February 2023 to temper the high domestic inflation and be in sync with US Federal hikes to help manage the peso exchange rate. Further, the BSP also made a surprise 25 basis points off-cycle rate hike effective October 27, 2023, after the Israel-Hamas war started on October 7, 2023; for a total of rate hikes of 450 basis points since May 2022.

The increase in BSP policy rates resulted in higher cost of deposits. It has also led to unrealized mark-to-market losses in FVOCI portfolio which fluctuates according to market condition; unless sold, these losses are recorded as part of the other comprehensive income or loss under Statement of comprehensive income.

The Group has implemented strategies to mitigate the increase in cost by issuances of loans with higher rates and growing low-cost deposits. BSP has already cut policy rates by 75 basis points in 2024 and is seen to continue rate cuts in 2025, although at a slower pace.

32.2 Issuance of Sustainability Bonds

On January 22, 2025, the Group priced a USD350 5-year and 1-day Senior Unsecured Fixed Rate Sustainability Bonds via a drawdown under its USD4,000 Medium Term Note Program.

The net proceeds from the issue of the Notes will be applied by the Group to support and finance its loans to customers or its own operating activities in eligible green and social categories as defined in the Group's Sustainable Finance Framework.

32.3 Dividend Declaration on Hybrid Perpetual Securities

On January 27, 2025, the BOD approved the dividend declaration amounting to USD9.75 payable on February 27, 2025. This dividend declaration is relative to the Bank's USD300 non-cumulative hybrid perpetual securities payable on a semi-annual basis.

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP MORB to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) *Selected Financial Performance Indicators*

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Group		
	2024	2023	2022
Return on average equity			
Net profit / Average total equity	**6.03%**	9.53%	11.24%
Return on average resources			
Net profit / Average total resources	**0.75%**	1.06%	1.20%
Net interest margin			
Net interest income / Average interest earning resources	**3.88%**	3.43%	3.70%

	Parent Company		
	2024	2023	2022
Return on average equity			
Net profit / Average total equity	**6.03%**	9.52%	11.24%
Return on average resources			
Net profit / Average total resources	**0.76%**	1.07%	1.21%
Net interest margin			
Net interest income / Average interest earning resources	**3.85%**	3.39%	3.70%

(b) *Capital Instruments Issued*

(i) *Common Stock*

As of December 31, 2024, the Parent Company's common stock amounted to P24,195 representing 2,419,536,359 issued common shares as compared to December 31, 2023 common stock amounted to P24,195 representing 2,419,536,120 common shares.

On July 31, 2023, the Bank received a total consideration amount of P27,125 as a capital infusion coming from SMBC which involved issuance of common shares amounting to P1,686 and reissuance of the treasury at cost amounting to P9,287 (see Note 22.3). The investment of SMBC resulted in a net increase of the additional paid in capital account of the Bank amounting to P15,735, coming from the excess of the consideration received over the par value of common stock and cost of treasury shares amounting to P16,152 and directly attributable transaction costs amounting to P417.

(ii) *Preferred Stock*

As of December 31, 2024 and 2023, the Parent Company's issued and outstanding preferred stock amounted to P3 representing 266,194 preferred shares. These preferred shares are voting, non-cumulative, non-redeemable, participating and convertible into common stock.

(iii) *Hybrid Perpetual Securities*

In August 27, 2020, the Parent Company issued USD300 non-cumulative, unsecured, subordinated AT1 capital securities. The capital securities are perpetual in respect of which there is no fixed redemption date. The Parent Company may redeem the capital securities only in certain circumstances as described in the conditions of the securities and with prior written consent of BSP. Distributions are non-cumulative and payable semi-annually in arrear at a rate of 6.5%. Certain conditions provide for circumstances under which the Parent Company will not be obliged to pay any distribution on the applicable payment date.

(c) Significant Credit Exposures for Loans

The Group and Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL is reflected below and in the succeeding page. This table also includes the industry groups above the 10% of Tier 1 capital of the Group and the Parent Bank amounting to P13,315 and P12,943, respectively, as of December 31, 2024, and P12,943 and P12,608, respectively, as of December 31, 2023.

	Group			
	2024		2023	
(Amounts in PHP)	**Amount**	**Share**	Amount	Share
Credit cards	**110,453**	**16%**	74,667	12%
Housing	**98,954**	**14%**	80,864	13%
Real estate, renting and other related activities	**93,193**	**13%**	100,969	16%
Financial intermediaries	**72,473**	**10%**	49,479	8%
Wholesale and retail trade	**72,324**	**10%**	63,963	10%
Electricity, gas and water	**69,851**	**10%**	70,407	11%
Auto	**62,472**	**9%**	43,257	7%
Manufacturing (various industries)	**47,839**	**7%**	58,061	9%
Transportation and communication	**47,554**	**7%**	53,146	9%
Consumer*	**10,090**	**1%**	3,117	1%
Mining and quarrying	**4,581**	**1%**	2,243	-
Agriculture, fishing, and forestry	**4,075**	**1%**	5,076	1%
Hotels and restaurants	**3,972**	**-**	4,079	1%
Other community, social and personal activities	**2,461**	**-**	2,847	0%
Others	**10,342**	**1%**	9,747	2%
	710,634	**100%**	621,922	100%

	Parent Company			
	2024		2023	
(Amounts in PHP)	**Amount**	**Share**	Amount	Share
Credit cards	**110,453**	**16%**	74,667	12%
Housing	**98,940**	**14%**	80,855	13%
Real estate, renting and other related activities	**92,202**	**13%**	99,982	16%
Financial intermediaries	**72,467**	**10%**	49,477	8%
Wholesale and retail trade	**71,297**	**10%**	69,363	11%
Electricity, gas and water	**69,827**	**10%**	63,905	10%
Auto	**62,411**	**9%**	43,232	7%
Manufacturing (various industries)	**46,892**	**7%**	56,972	9%
Transportation and communication	**44,952**	**6%**	50,524	8%
Consumer*	**10,077**	**1%**	3,106	1%
Mining and quarrying	**4,485**	**1%**	2,077	1%
Hotels and restaurants	**3,878**	**1%**	3,997	1%
Agriculture, fishing, and forestry	**3,867**	**1%**	4,726	1%
Other community, social and personal activities	**2,340**	**-**	2,838	-
Others	**10,323**	**1%**	9,519	2%
	704,411	**100%**	615,240	100%

**Includes personal and salary loans*

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

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below.

	Group		
(Amounts in PHP)	**Performing**	**Non-performing**	**Total Loan Portfolio**
2024			
Gross carrying amount:			
Corporate	404,765	19,380	424,145
Consumer	273,857	12,632	286,489
	678,622	32,012	710,634
Allowance for ECL	**(4,441)**	**(13,875)**	**(18,316)**
Net carrying amount	**674,181**	**18,137**	**692,318**
2023			
Gross carrying amount:			
Corporate	404,158	12,954	417,112
Consumer	194,878	9,932	204,810
	599,036	22,886	621,922
Allowance for ECL	(3,856)	(11,976)	(15,832)
Net carrying amount	595,180	10,910	606,090

(Amounts in PHP)	Parent Company Performing	 Non-performing	 Total Loan Portfolio
2024			
Gross carrying amount:			
Corporate	**402,506**	**16,579**	**419,085**
Consumer	**272,781**	**12,545**	**285,326**
	675,287	**29,124**	**704,411**
Allowance for ECL	**(4,415)**	**(12,797)**	**(17,212)**
Net carrying amount	**670,872**	**16,327**	**687,199**
2023			
Gross carrying amount:			
Corporate	399,965	11,741	411,706
Consumer	193,949	9,585	203,534
	593,914	21,326	615,240
Allowance for ECL	(3,687)	(11,024)	(14,711)
Net carrying amount	590,227	10,302	600,529

NPLs included in the total loan portfolio of the Group and the Parent Company as of December 31 as reported to the BSP are presented below.

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Gross NPLs	**32,012**	22,886	**29,124**	21,326
Allowance for impairment	**(13,875)**	(11,976)	**(12,797)**	(11,024)
	18,137	10,910	**16,327**	10,302

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

As of December 31, 2024, gross and net NPL ratios of the Group and the Parent Company as reported to BSP were 4.31% and 2.44%, and 3.95% and 2.22%, respectively. As of December 31, 2023, gross and net NPL ratios of the Group and the Parent Company as reported to BSP were 3.34% and 1.59%, and 3.15% and 1.52%, respectively. Most of the NPLs are secured by real estate or chattel mortgages.

As of December 31, 2024 and 2023, the amount of restructured receivables from customer were P4,930 and P4,786 for the Group and P2,636 and P2,383 for the Parent Company.

Interest income from restructured receivables from customers amounted P147, P112, and P18 in 2024, 2023, 2022, respectively, for both the Group and the Parent Company.

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

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Secured:				
Real estate mortgage	**203,996**	184,910	**203,103**	183,828
Chattel mortgage	**63,435**	51,280	**61,266**	49,214
Hold-out deposits	**15,089**	8,153	**15,089**	8,152
Other securities	**11,553**	11,119	**8,908**	8,034
	294,073	255,462	**288,366**	249,228
Unsecured	**416,561**	366,460	**416,045**	366,012
	710,634	621,922	**704,411**	615,240

(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 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 DOSRIs, 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, credit accommodations and guarantees to DOSRI, excluding loans granted as fringe benefits to officers which are excluded from the individual ceiling as of December 31 in accordance with BSP reporting guidelines:

	Group		Parent Company	
	2024	2023	**2024**	2023
Total outstanding DOSRI loans	**-**	-	**-**	-
Unsecured DOSRI	**-**	-	**-**	-
Past due DOSRI	**-**	-	**-**	-
Non-accruing DOSRI	**-**	-	**-**	-
Percent of DOSRI loans to total loan portfolio	**0.00%**	0.00%	**0.00%**	0.00%
Percent of unsecured DOSRI loans to total DOSRI loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of past due DOSRI Loans to total DOSRI	**0.00%**	0.00%	**0.00%**	0.00%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.00%**	0.00%	**0.00%**	0.00%

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to related parties (inclusive of DOSRI) as of December 31 as reported to the BSP:

	Group		Parent Company	
	2024	2023	**2024**	2023
(Amounts in PHP)				
Total outstanding related party loans	**28,846**	26,739	**28,786**	26,746
Unsecured related party	**19,827**	19,268	**19,800**	19,257
Past due related party	**19**	1	**19**	1
Percent of related party loans to total loan portfolio	**4.06%**	4.30%	**4.09%**	4.35%
Percent of unsecured related party loans to total related party loans	**68.73%**	72.06%	**68.78%**	72.00%
Percent of past due related party loans to total related party loans	**0.07%**	0.00%	**0.07%**	0.00%
Percent of non-accruing related party loans to total related party loans	**0.00%**	0.00%	**0.00%**	0.00%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI. Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.0% of the Group's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the Parent Company.

As of December 31, 2024, 2023 and 2022, the Group and Parent Company is in compliance with these regulatory requirements.

As of December 31, 2024, 2023 and 2022, the Group has not recognized impairment loss on loans and receivables from DOSRI.

(g) Secured Liabilities and Assets Pledged as Security

Assets pledged as security for liabilities of the Group and Parent Company are shown below.

(Amounts in PHP)	**2024**	2023
Aggregate amount of secured liabilities	**66,056**	29,797
Aggregate amount of resources pledged as security	**80,523**	41,597

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

The following is a summary of contingencies and commitments arising from transactions not given recognition in the statement of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2024 and 2023:

(Amounts in PHP)	**2024**	2023
Outstanding guarantees issued	**268,149**	205,268
Derivative assets	**206,527**	142,921
Derivative liabilities	**105,484**	84,461
Unused commercial letters of credit	**23,098**	25,079
Inward bills for collection	**10,677**	8,061
Spot exchange sold	**10,617**	16,985
Spot exchange bought	**10,613**	16,980
Late deposits/payments received	**859**	872
Outward bills for collection	**28**	1
Trust Investment Group accounts	**-**	155,705
Others	**63**	64

ISSUER AND SELLING AGENT

Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue
Makati City

JOINT ARRANGERS

RCBC Capital Corporation
21/F Tower 2, RCBC Plaza
6819 Ayala Avenue
Makati City

Standard Chartered Bank
20/F, Ayala Triangle Gardens Tower
Paseo de Roxas corner
Makati Avenue, Makati City

JOINT ARRANGER AND INITIAL SELLING AGENT

Standard Chartered Bank
20/F, Ayala Triangle Gardens Tower
Paseo de Roxas corner
Makati Avenue, Makati City

REGISTRAR AND PAYING AGENT

Philippine Depository & Trust Corporation
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue cor. Paseo de Roxas
Makati City

TRUSTEE

Development Bank of the Philippines – Trust Banking Group
3/F DBP Building
Sen Gil J. Puyat Avenue
Makati City

COUNSEL TO THE JOINT ARRANGERS

Romulo Mabanta Buenaventura Sayoc & de los Angeles
Corporate Banking & Finance Group
21/F AIA (formerly Philamlife) Tower
8767 Paseo de Roxas
Makati City

INDEPENDENT AUDITOR

Punongbayan & Araullo
19/F and 20/F Tower 1, The Enterprise Center
Ayala Avenue
Makati City

RCBC