2024 NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1 – General Information

1.1 Incorporation and Operations

The Development Bank of the Philippines (DBP or the "Parent Bank"), created under Republic Act (RA) No. 85, as amended by Executive Order No. 81 dated December 3, 1986, primarily provides banking services principally to cater to the medium and long-term financing needs of agricultural and industrial enterprises particularly in the countryside with emphasis on small and medium-scale industries. The Parent Bank also provides financial assistance to participating financial institutions for on-lending to investment enterprises and direct to borrowers as may be required by its catalytic role in the economy. It is likewise involved in other activities including investments in government and private financial instruments.

The Bangko Sentral ng Pilipinas (BSP), in its letter dated December 20, 1995, granted the Parent Bank the permit to operate as an expanded commercial bank (EKB). The Parent Bank commenced operation as an EKB on February 7, 1996.

The Parent Bank and its subsidiaries referred to as the Group are engaged in development banking, financing, management services, computer services, leasing, and remittance services.

The Parent Bank's principal place of business is at Sen. Gil J. Puyat Avenue corner Makati Avenue, Makati City.

As of December 31, 2024, the Group had 3,268 employees, operated 134 branches with 15 branch lite units and installed a total of 899 ATMs nationwide.

1.2 Approval of Financial Statements

These financial statements have been approved and authorized for issuance by the Board of Directors (BOD) of the Group on June 19, 2025 under Board Resolution No. 0244.

Note 2 - Material Accounting Policies

2.1 Basis of Financial Statement Preparation

The financial statements comprise the statements of financial position, the statements of profit or loss and other comprehensive income presented as two statements, the statements of changes in equity, the statements of cash flows and the notes.

These financial statements have been prepared on a historical cost basis except for Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI), derivative financial instruments and real and other properties owned that have been measured at fair value.

The accompanying financial statements of the Parent Bank reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The preparation of financial statements in conformity with Philippine Financial Reporting Standards (PFRSs) requires the use of certain critical accounting estimates. It also requires the Group to exercise its judgment in applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Statement of Compliance

The Group's consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the following reliefs issued by the BSP and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic.

As contained in Board Resolution No. 0297 dated May 20, 2020, the BOD of the Parent Bank approved the Parent Bank's availment of the temporary regulatory and operational relief measures as detailed in BSP Memoranda Nos. M-2020-008, 011 and 033 dated March 14, 19 and April 27, 2020, respectively.

2.2.1 Updates on Staggered Booking

The Parent Bank's application for the relief measures was approved by the BSP per its letter dated June 11, 2020. It includes, among others, the temporary operational and relief measure on the staggered booking of allowance for credit losses (ACL). After the Parent Bank submitted additional documents to BSP for evaluation, on October 4, 2021, BSP approved the Parent Bank's request for staggered booking of ACL amounting to Php 3,281 million covering 149 borrowers, subject to the condition that the Parent Bank shall immediately recognize the ACL amounting to Php 656 million, which is equivalent to the ACL that should be recognized in the first year of the five-year period, while the equal annual booking of Php 656 million within the period of five (5) years, or until December 31, 2025.

The Parent Bank recorded the fourth tranche of staggered booking of Php 656 million in CY 2024, with the remaining unbooked balance amounted to Php 656 million as at end CY 2024. The Parent Bank's Net Income was registered at Php 6,641 million in CY 2023 As Restated and Php 7,267 million in CY 2024. Had the Parent Bank not availed of the financial reporting relief for the implemented staggered booking of ACL, Net Income would have ended at Php 7,133 million and Php 7,759 million in CY 2023 and 2024, respectively.

2.3 New and amended standards adopted by the Group effective January 1, 2024:

- **PAS 1 (Amendments),** Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current.

  The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- **PAS 1 (Amendments),** Presentation of Financial Statements - Non-current Liabilities with Covenants.

  The amendments modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. Only those covenants with which an entity is required to comply on or before the reporting date, affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

- **PAS 7 (Amendments),** Statement of Cash Flows and **PFRS 7 (Amendments),** Financial Instruments: Disclosures - Supplier Finance Arrangements.

  The amendments add disclosure requirements and 'sign-posts' within existing disclosure requirements that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

- **PFRS 16 (Amendments)**, Leases - Lease Liability in a Sale and Leaseback.

  The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

- **Philippine Interpretation IFRIC 23,** Uncertainty over Income Tax Treatments

  Philippine Interpretation IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  > Whether an entity considers uncertain tax treatments separately
  > The assumptions an entity makes about the examination of tax treatments by taxation authorities
  > How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  > How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The IFRIC 23 was already adopted by the Parent Bank but without significant impact on its current operation. The Parent Bank's compliance with the changes in income tax treatments is always based on the tax regulations set by regulatory bodies such as the Bureau of Internal Revenue.

  Adoption of the abovementioned standards did not have any impact on the Group's consolidated financial statements.

2.4 New and amended standards not yet adopted:

- **PFRS 9 (Amendments),** Financial Instruments and PFRS 7 (Amendments), Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after January 1, 2026).

  The amendments seek to improve clarity and consistency in reporting which include guidance for derecognition of a financial liability when it is settled through electronic payment system, and applying the requirements for evaluating contractual cash flow characteristics to financial assets with features related to environmental, social, and governance (ESG) matters. The entity is also required to apply these amendments retrospectively, but not obliged to restate prior periods unless the entity can clearly demonstrate that hindsight has not been used to make those changes.

- **PFRS 18 (New),** Presentation and Disclosures in Financial Statements (effective for annual periods beginning on or after January 1, 2027).

  This new Standard will replace PAS 1 and will be applied by every entity preparing financial statements in accordance with PFRS Accounting Standards. PFRS 18 will significantly impact the preparation of statement of profit and loss as well as the notes to financial statements. For comparability purposes, PFRS 18 introduces two new defined subtotals in the statement of profit or loss: operating profit, and profit before financing and income taxes. All income and expenses, as well as foreign exchange differences, will also be classified into one of five (5) categories, namely: operating, investing, financing, income taxes, and discontinued operations. The Standard has also provided guidance on accounting for income and expenses depending on how an entity investing in assets as its main business activity, account for such underlying assets. In addition, PFRS 18 introduces new requirements that will be disclosed in the notes to financial statements: management-defined performance measures (MPM), and specified expenses by nature. It also updates the guidance on aggregation and disaggregation of information, and requires the disclosure of depreciation amount, amortization, employee benefits, impairment losses, and inventory write-downs for present expenses classified by function.

- **PAS 21 (Amendments),** The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025).

  The amendments include both updates and guidance to assist preparers of financial statements in reporting foreign currency transactions, translating foreign operations, or presenting financial statements in a different currency, and there is a long-term lack of exchangeability between the relevant currencies. The amendments provides a definition on the determining whether a currency is exchangeable, the process on assessing this exchangeability, estimating a spot exchange rate on lack of exchangeability, and requirements for additional disclosure.

  The Group is currently assessing the impact of the amendments and new Standard in its financial statements.

2.5 Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Bank and its subsidiaries which are prepared for the same reporting period as the Parent Bank using consistent accounting policies. The percentage of effective ownership of the Parent Bank in operating subsidiaries at December 31, 2024 is as follows:

	Percentage of ownership
DBP Data Center, Incorporated	- 100 per cent owned
DBP Management Corporation	- 100 per cent owned
DBP Leasing Corporation	- 100 per cent owned
Al-Amanah Islamic Investment Bank of the Philippines	- 99.95 per cent owned

Under PFRS 10, *Consolidated Financial Statements*, an investor is required to consolidate the financial statements of an investee if it exercises control over the investee, is exposed to variable returns, and can influence those returns through its power. Hence, even if the Parent Bank has less than 50 per cent ownership, consolidation of financial statements may still be necessary as it exercises control over the investee.

All significant inter-company balances and transactions are eliminated in full upon consolidation. The consolidated financial statements of the Group are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

2.6 Investments in Subsidiaries

Subsidiaries are entities over which the Parent Bank has the power to control its financial and operating policies. The Parent Bank obtains and exercises control through voting rights.

Subsidiaries' financial statements are consolidated when the Parent Bank has control over it and cease to be consolidated on the date the Parent Bank loses its control.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Parent Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill.

Non-controlling interest represents the portion of profit or loss, and net assets not owned, directly or indirectly, by the Parent Bank.

Non-controlling interests are presented separately in the statements of profit or loss, statements of comprehensive income and within equity in the statements of financial position, separately from equity attributable to the Parent Bank. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

2.7 Investments in Associates and Joint Ventures

Associates and joint ventures are entities over which the Parent Bank has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates and joint ventures in the consolidated financial statements are accounted for under the equity method of accounting. Under the equity method, the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition.

2.8 Investments in Subsidiaries, Associates and Joint Ventures

Equity investments reflected in the Parent Bank's separate financial statements which represent investments in subsidiaries, associates and joint ventures are accounted for at cost method in accordance with PAS 27. Under the cost method, income from investment is recognized in the statements of profit or loss only to the extent that the investor receives distributions from accumulated net income of the investee arising subsequent to the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction from the cost of investment.

The Parent Bank recognizes a dividend from a subsidiary or associate or joint venture in profit or loss in its separate financial statements when its right to receive the dividend is established.

The Parent Bank determines at each reporting date whether there is any indication that the investment in the subsidiary or associate or joint venture is impaired. If this is the case, the Parent Bank calculates the amount of impairment or the difference between the recoverable amount and the carrying value and the difference is recognized in profit or loss.

Investment in subsidiaries or associates or joint ventures are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries or associates or joint ventures at which time the cost and the related accumulated impairment loss are removed in the statement of financial position. Any gain or loss on disposal is determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

2.9 Foreign Currency Translation

a) Functional and Presentation Currency

Items included in the financial statements of the parent's investee company are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The consolidated financial statements are presented in the Philippine peso, which is the Parent bank's functional and presentation currency.

b) Transactions and Balances

Foreign currency monetary items are accounted for in accordance with the provisions of PAS 21, "Effects of Changes in Foreign Exchange Rates". Actual foreign currency transactions are booked based on prevailing Philippine Dealing System (PDS) as of transaction date and are revalued monthly using the PDS peso/US dollar closing rate and the New York US dollar/third currencies closing rates as prescribed under BSP Circular 494 dated September 20, 2005. Foreign exchange differences arising from the above are charged to operations.

2.10 Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents consist of cash and other cash items on hand, bank deposits and interbank loans receivable and securities purchased under agreements to resell with maturities of less than three months from the date of acquisition.

2.11 Due from BSP

Due from BSP represents the Parent Bank's deposits maintained with the Bangko Sentral ng Pilipinas (BSP), primarily consisting of regulatory reserve requirements. This account is used for transaction settlements, including check clearing, fund transfers, and interbank transactions through the BSP's PhilPaSSplus system. It also helps manage daily liquidity needs and ensure smooth banking operations. Additionally, excess funds may be invested in BSP's monetary facilities, such as the Overnight Deposit Facility (ODF) and Term Deposit Facility (TDF).

2.12 Due from Other Banks

Due from other Banks refers to fund balances deposited with both foreign and local banks. These accounts facilitate settlements, interbank transactions, and branch cash servicing needs. Some balances may accrue interest based on agreements between banks.

2.13 Financial Instruments - Date of Recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date - the date that an asset is delivered to or by the Group. For settlement date accounting, financial assets are recognized on the day it is delivered subject to the provisions of PFRS 9. The corresponding gain or loss on disposal is recognized at the time of derecognition.

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

2.14 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

a) Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

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

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

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

b) The Solely Payments of Principal and Interest (SPPI) Test

As a second step of its classification process, the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

c) Day 1 Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

2.15 Classification and Measurement of Financial Assets

The Group classifies its financial assets in the following categories: financial assets at FVTPL, financial assets at FVOCI, and financial assets at amortized cost.

a) Financial Assets at FVTPL (Debt and Equity)

This is the classification of instruments that are held for trading or for which the entity's business model is to manage the financial instrument on a fair value basis i.e. to realize the asset through sale. A held-for-trading security is a financial asset that:

- Is acquired principally for the purpose of selling it in the near term;
- On initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actual pattern or short-term profit-taking; or
- Is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit spread, credit rating or credit index, or other variables not prohibited under existing laws, rules and regulations (the "underlying");
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors; and
- It is settled at a future date.

This category also represents the default or residual category if the requirements to be classified as amortized cost or FVOCI are not met. These are normally classified as current assets.

Financial assets at FVTPL are carried at fair value and realized and unrealized gains and losses on these instruments are recognized as 'Profit/(loss) from investment and securities trading' in the statement of profit or loss. Interest earned on these investments is reported as 'Interest income' in the statement of profit or loss.

b) Financial Assets at FVOCI (Debt and Equity)

A financial asset shall be measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Accumulated other comprehensive income' in the statement of financial position. When the financial asset is disposed of, the cumulative gain or loss previously recognized in 'Accumulated other comprehensive income' is never recycled to statement of profit or loss, but to 'Retained Earnings'.

c) *Financial Assets at Amortized Cost (Includes Held to Collect and Loans and Receivables)*

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

- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal amount.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. These are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of profit or loss. Gains and losses are recognized in the statement of profit or loss when the financial assets are derecognized and impaired, as well as through the amortization process.

The Group classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Loans and receivables', 'Investment securities at amortized cost' and certain assets under 'Other assets' as financial assets at amortized cost.

d) *Financial Asset Reclassification*

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets. The Group is required to reclassify as follows:

- From amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met. The fair value of the instrument shall be measured at the reclassification date.
- 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 instrument's contractual cash flows are solely payments of principal and interest on the principal outstanding. The fair value of the instrument at reclassification date becomes its new gross carrying amount.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted. A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next statement of financial position date following the change in the business model.

2.16 *Impairment of Assets*

a) *Financial Assets*

Under PFRS 9, the Expected Credit Loss (ECL) allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit lossor LTECLs), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12-month expected credit loss (12mECLs). The Group's policies for determining if there has been a significant increase in credit risk are setout in Note 5.1.4.

The Group classifies its financial instruments into three groups or stages based on their level of credit quality deterioration from initial recognition to properly designate 12mECL and LTECL. Each of the stages shall be composed of the following:

- Stage 1: When financial instruments are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 financial instruments also include facilities where the credit risk has improved, and the financial instruments have been reclassified from Stage 2;

- Stage 2: When a financial instrument has shown a significant increase in credit risk since its origination, the Group records an allowance for the LTECLs. Stage 2 financial instruments also include facilities, where the credit risk has improved, and the financial instrument has been reclassified from Stage 3; and

- Stage 3: Financial instruments that have shown objective evidence of impairment (credit-impaired). The Parent Bank records an allowance for the LTECLs.

For financial instruments for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial instrument is reduced. This is considered a (partial) derecognition of the financial asset.

The Group calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- *Probability of Default* (PD) – an estimate of the likelihood that the counterparty will default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio;

- *Exposure at Default* (EAD) – an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments; and

- *Loss Given Default* (LGD) – an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- Stage 1: The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date;

- Stage 2: When a financial instrument has shown a significant increase in credit risk since its origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR;

- Stage 3: For financial instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100 per cent; and

- Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on three probability-weighted scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within Provisions.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the allowance for credit losses, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to provision for impairment.

b) *Non-Financial Assets*

In the case of investment property, non-current assets held for sale, bank premises, furniture, fixtures and equipment, and other assets, impairment loss is the difference between the carrying amount and the fair value less costs to sell in case carrying amount is higher. The loss is recognized in the statement of profit or loss and an allowance account is set up to reduce the carrying amount of the asset.

2.17 *Classification and Measurement of Financial Liabilities*

Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL or other financial liabilities at amortized cost.

a) *Financial liabilities at amortized cost*

These liabilities are classified as such when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

These financial liabilities are measured initially at fair value, net of directly attributable transaction costs. After initial measurement, these liabilities are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

b) *Financial liabilities at FVTPL*

These are the liabilities that upon initial recognition are designated by the Parent Bank at fair value through profit or loss.

Financial liabilities at FVTPL are carried at fair value and realized and unrealized gains and losses on these instruments are recognized as 'Profit/(loss) from investment and securities trading' in the statement of profit or loss. Interest incurred on these liabilities is reported as 'Interest expense' in the statement of profit or loss.

2.18 Derecognition of Financial Assets and Financial Liabilities

a) Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has transferred the financial asset and the transfer qualifies for derecognition.

The Group transfers the financial asset if, and only if, it either:
- Transfers its contractual rights to receive cash flows of the financial asset; or
- Retains the rights to the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients, called a pass-through arrangement.

When the Group enters a pass-through arrangement, it shall treat the transaction as a transfer of financial assets when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset, excluding short-term advances by the Group with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group is prohibited by the terms of the transfer contract from selling or pledging the original asset other than a security to the eventual recipients for the obligation to pay them cash flows; and
- The Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

A transfer only qualifies for derecognition if either:

- The Group transfers substantially all the risks and rewards of ownership of the financial asset; or
- The Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

b) Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability or part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

2.19 Capitalized Interest and Other Charges (CIOC) on Restructured Loans

For CY 2023, the Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan or it becomes a restructured loan based on the Parent Bank's existing policy. Any increase in the face amount of the loans resulting from accrued interest and accumulated charges which have been capitalized or made part of the principal or restructured loans are booked under Other Deferred Credits - CIOC and shall be amortized/credited to income using the effective interest method in accordance with BSP's Financial Reporting Package (FRP).

As of December 31, 2023, the outstanding balance of Other Deferred Credits - CIOC is Php 1,730 million.

For CY 2024, the Group derecognizes a financial asset, such as a loan to a customer, when its terms and conditions are renegotiated that it effectively becomes a new or restructured loan under the Parent Bank's existing policy. Any increase in the face amount of the loans resulting from accrued interest and other accumulated charges that have been capitalized as part of the restructured loans are recognized in profit or loss.

A financial asset is derecognized when either the right to receive cash flows expires or when it is transferred in a way that meets the derecognition criteria.

When a financial asset is fully derecognized, the difference between its carrying amount and the consideration received (including any new assets of liabilities) is recorded in profit or loss.

As of December 31, 2024, for Prudential Reporting, the outstanding balance of Other Deferred Credits - CIOC is Php 1,812 million.

2.20 Offsetting of Financial Assets and Financial Liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.21 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment (including leasehold improvements) are stated at cost, less accumulated depreciation and amortization, and any impairment in value. When the assets are disposed/sold, the cost and accumulated depreciation and amortization shall be derecognized or taken out from the books and any gain or loss resulting from disposal is included in profit or loss from derecognition.

The initial cost of property comprises its purchase price (less any discounts), plus any and all taxes (on a net basis) and any costs directly attributable to bringing the asset to its working condition and location for its intended use. Extraordinary repairs, which benefits future accounting periods through greater productivity and/or longer useful life, and increases the net book value of the asset or cost of repair exceeding 50 per cent of the original acquisition cost are capitalized to the cost of the property.

The computation of the depreciation expense starts on the following month after the delivery/issue date to end-users of the bank premises, furniture, fixtures and equipment, irrespective of the date within the month. Depreciation is computed based on a straight-line method, by dividing the cost (net of residual value) over the estimated useful lives of the related assets. Beginning January 1, 2018, residual value is at least 5 per cent of the acquisition cost in compliance with COA Circular No. 2017-004, which provides the guidelines on the implementation of PFRS on PPE. Useful lives of the related assets are as follows:

Building	20- 50 years
Transportation Equipment	7- 10 years
Furniture and Equipment	3- 10 years

Impairment is recognized when there is a substantial evidence of decline in the value of the bank premises, furniture, fixtures and equipment and recoverable amount falls below its carrying amount.

The cost of leasehold improvements shall be depreciated over the term of a lease or life of the improvements, whichever is shorter. Minor expenditures for replacement, maintenance and repairs are expensed as incurred. Major renovations and betterments that will extend the life of the asset are capitalized.

Properties that are no longer used in the Group's operation for various reasons are classified at the remaining book value of the asset as Miscellaneous Assets – Others Unserviceable Properties. All non-serviceable properties or those no longer economical to maintain shall be disposed in accordance with COA rules and regulations particularly on publication and public bidding. Property Disposal Committees were created for this purpose. The cost and the related accumulated depreciation and amortization of the disposed asset are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

COA Circular No. 2022-004 was issued by the COA as an implementing guideline on the implementation of Section 23 of the FY 2022 General Appropriations Act. It states that, "Tangible items, which meet the definition and recognition criteria of PPE (Property, Plant and Equipment) but cost is below Fifty Thousand Pesos (Php 50,000.00) shall be accounted in the books of accounts of the agencies as semi-expendable property". This shall be supported by the issuance of the Inventory Custodian Slip (ICS) to establish accountability of the end-user. ICS shall be issued to the end-user and shall be renewed every three years or every time there is a change in custodianship/user of the property. The threshold shall be applied on an individual asset or per item basis. Each item within the bulk of acquisition such as library books, small equipment, computer peripherals, work animals, and the like, will need to meet the amount of below Php 50,000.00 to be recognized as semi-expendable property.

2.22 Investment Property (IP)

Investment property (IP) includes land and buildings acquired upon foreclosure, which are not immediately available for sale in the next 12 months. It shall be measured initially at its fair value following paragraph 27 of PAS 40. The difference between the outstanding loan balance and the fair value of the collateral shall be recognized as a gain or loss in accordance with PFRS 9. Transaction cost shall be included in the initial measurement.

After initial recognition, the investment property shall be measured using the cost model. Under this model, the investment property shall be carried at cost less any accumulated depreciation and any accumulated impairment loss.

Depreciation of IP shall be in the same manner as that for PPE and shall be computed on a straight-line method using the remaining useful life of the asset based on the carrying amount less 5 per cent residual value.

2.23 Non-Current Assets Held for Sale (NCAHFS)

NCAHFS consist of real and other properties acquired (ROPA) through foreclosure of mortgaged properties, dacion-en-pago arrangements, or Sales Contract Receivables (SCR) rescissions, where foremost objective is disposal generally under cash or term sale transactions within one (1) year from classification as held of sale. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Parent Bank and there is sufficient evidence that the Parent Bank remains to be committed to its plan to sell the asset.

The initial measurement of assets classified as NCAHFS shall be at the lower of the carrying amount of the loan and fair value of the collateral less costs to sell. The difference between the outstanding loan balance and the fair value of the collateral shall be recognized as a gain or loss in accordance with PFRS 9.

However, if the asset is reclassified from Investment Property to NCAHFS, the carrying amount of NCAHFS shall be measured at the lower of the carrying amount of the investment property at the time of classification and fair value less costs to sell. If the fair value less cost to sell of the asset is lower than the carrying amount, an impairment loss shall be recognized.

Assets classified as NCAHFS shall not be depreciated or amortized.

2.24 Leases

a) The Group as a Lessee

The Group follows a single lessee accounting model, which requires recognition of assets and liabilities, unless the lease term is 12 months or less or the underlying asset is of low value. The Group is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

At the commencement date, the Group recognizes a right-of-use asset and a lease liability as follows:

- Right-of-Use (ROU) Asset

  It is measured at cost, which comprises (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Group; and (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

  After the commencement date, the ROU is measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. The depreciation is computed based on the straight-line method.The details of right-of-use asset are presented in Note 17.

- Lease Liability

  It is measured at the present value of the lease payments that are not paid at reporting date. The lease payments were discounted using the interest rate implicit in the lease if the rate can be readily determined. If the rate cannot be readily determined, the Group uses its incremental borrowing rate or the Php (Philippine Peso) BVAL (Bloomberg Valuation Service) reference rates as of the commencement date of the lease. Lease payments comprise (a) fixed payments less any lease incentives receivable; (b) variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable by the Group under residual value guarantees; (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

  After the commencement date, the Group measures the lease liability by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

  The Group remeasures the lease liability to reflect changes to the lease payments. The amount of the remeasurement of the lease liability is recognized as an adjustment to the ROU asset. However, if the carrying amount of the ROU asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group shall recognize any remaining amount of the remeasurement in profit or loss.

  Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group recognizes in profit or loss, unless the costs are included inthe carrying amount of another asset applying other applicable Standards, both interest on the lease liability; and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occur.

  The details of finance lease liability as of December 31, 2024 are presented in Note 31.2.

- Lease modifications

  The Group accounts for a lease modification as a separate lease if both:

  i. The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
  ii. The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

  If a modification is a separate lease, a lessee applies the requirements of PFRS 16 to the newly added asset independently of the original lease. The accounting for the original lease continues unchanged.

  If a modification is not a separate lease, the accounting reflects that there is a linkage between the original lease and the modified lease. The existing finance lease payable is remeasured with a corresponding adjustment to the ROU asset on the effective date of the modification.

- Short-term lease and lease of low value underlying asset

  a) Short-term lease

  A lease contract with a term of twelve (12) months or less without a purchase option shall be accounted for as a short-term lease. The Group recognizes lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the Group's benefit.

  The election for short-term leases was made by class of underlying asset to which the right of use relates. A class of underlying asset is a grouping of underlying assets of a similar nature and use in an entity's operations.

  b) Lease of low value underlying asset

  The Group assesses the value of an underlying asset based on the value of the asset when it is new, regardless of the age ofthe asset being leased. The assessment of whether an underlying asset is of low value is performed on an absolute basis. The assessment is not affected by the size, nature or circumstance of the Group.

  An underlying asset can be of low value only if:

  i. The Group can benefit from the use of the underlying asset on its own or together with other resources that are readily available to the Group; and
  ii. The underlying asset is not highly dependent on, or highly interrelated with, other assets.

  A lease of an underlying asset does not qualify as a lease of a low-value asset if the nature of the asset is such that, when new, the asset is typically not of low value, e.g. cars. The Group considers the underlying assets to be low value if the asset has a value or selling price of Php 250,000.00 or less when new, regardless of the age of the asset being leased. Low-value underlying assets can include table, personal computers, small items of office furniture, point-of-sale (POS) terminals and telephone.

  If the Group subleases an underlying asset, or expects to sublease an asset, the head lease does not qualify as a lease of low value assets.

  Short-term and low value lease contracts are booked under Rent Expense and presented as a separate line item under "Occupancy Expenses" in the Statement of Profit or Loss.

b) The Group as a Lessor

The Group substantially carries forward the lessor accounting requirements in PAS 17 where a lessor continues to classify its leases as operating leases or finance leases and to account for those types of leases differently, in reference to PFRS 16, paragraph IN14.

2.25 Intangible Assets

a) Computer Software

Computer software represents the cost of software licenses, application system software and technical upgrade. The amortization expense commences on the following month upon 100 per cent completion/delivery of the software/project. Computer software are measured at cost and amortized based on a straight-line method with an expected useful life of five (5) years.

Costs associated with developing or maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Parent Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development,employee costs and an appropriate portion of relevant overheads.

b) BSP License

The Parent Bank's license with the Bangko Sentral ng Pilipinas (BSP) is measured at cost and amortized based on a straight-line method with an expected useful life of 10 years.

c) Non-Proprietary Club Shares

Non-proprietary club shares held by the Parent Bank are equity instruments in their legal form but not in the context of PAS 32. The Parent Bank pays only for the privilege to enjoy the club facilities but not for the ownership. Hence, the non-proprietary club shares are classified as intangible assets under PAS 38.

The details of the intangible assets are presented in Note 23.

2.26 Employee Benefits

All Bank personnel who were employed after June 1, 1977, are covered under RA 8291 of the Government Service Insurance System (GSIS) and shall be paid directly by the GSIS.

To help address the emerging business challenges brought about by the fast-evolving technology and to allow the Parent Bank to effectively address the personnel requirements under the DBP Reorganization Plan, the Parent Bank has secured approval of the Governance Commission for GOCCs (GCG) for its Separation and Early Retirement Plan (SERP). The retirement incentive, based on GCG guidelines, is paid to the SERP availees upon effectivity of their separation.

2.27 *Deferred Income Tax*

Deferred income tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, including asset revaluations. Deferred income tax assets are the amounts of income taxes recoverable in future periods, which are recognized for all deductible temporary differences, the carry forward of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of and unused NOLCO, and unused tax credits can be utilized.

Taxable temporary differences are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset is recovered or liability is settled.

The carrying amount of deferred income tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Any such reduction should be subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred Tax Assets is presented in Note 22.

2.28 *Borrowing Costs*

Borrowing costs represent interests and other pertinent financial charges and costs incurred in connection with the availments of domestic and foreign borrowings. In compliance with PAS 23 that prescribes the accounting treatment for borrowing costs, such costs are generally recognized and accrued as an expense in the period in which they are incurred.

2.29 *Bills Payable with FX Risk Cover*

Pursuant to Monetary Board (MB) Resolution No. 393, the Parent Bank has granted regulatory relief from the applicability of MB Resolution No. 1063 dated August 14, 2008 to the Foreign Exchange Risk Cover Agreement between the DBP and the national government (NG), without prejudice to the opinion of COA on the Parent Bank's financial statements and to allow the Parent Bank to reclassify its revaluation loss from foreign currency-denominated borrowings to Accounts Receivable in its prudential reports to BSP. Hence, the resulting FX revaluation losses are charged to "Accounts Receivable NG FX Differential" account, while FX revaluation gains are credited "FX Profit or Loss Revaluation" account, consistent with PAS 21 and BSP Circular No. 494. Upon settlement, the AR-NG FX Differential or FX revaluation gains are reversed, and actual losses are recognized as claims to the National Government or Accounts Receivable-Bureau of Treasury and gains, on the other hand, as Foreign Exchange gains.

2.30 *Grants*

a) *World Bank Grant*

The availment period for the Global Environment Facility (GEF) Grant provided for the Rural Power Project (RPP) ended in 2012. Out of the USD 0.62 million availed from the grant proceeds, USD 0.17 million or equivalent to Php 7.6 million was established for the Project Preparation Fund (PPF). PPF was approved by World Bank as one of the components of the grant intended to assist financing project preparation activities for renewable energy (RE) technologies.

As of December 31, 2024, the outstanding balance of the grant is Php 7.78 million inclusive of interest earned from deposit.

b) *Netherlands Government and Organization of the Petroleum Exporting Countries (OPEC) Grant*

The Financing Energy Services for Small Scale End-Users (FINESSE) fund has a total amount of USD 0.18 Million of which, USD 0.04 Million was provided by The Netherlands Government and USD 0.14 Million by OPEC, administered by United Nations Development Programme (UNDP)/FINESSE.

A principal barrier to the wider development and use of renewable energy for both on-grid and off-grid applications is the lack of innovative financing programs that recognize and exploit the unique characteristics of renewable systems. To encourage the development of renewable energy projects, DBP established the New and Renewable Energy - Project Preparation Revolving Fund (NRE-PPRF) using the FINESSE Fund. The purpose of NRE-PPRF is to finance project preparation activities on renewable energy to ensure the generation of bankable project proposals. The NRE-PPRF is meant to be self-sustaining, with the principal and interest from the loan repayment to flow back to the fund. It is intended to assist entrepreneurs, enterprises, and other organizations (i.e., rural electric cooperatives and Non-Government Organizations) in the identification, design, and packaging of renewable energy for financing. The fund was placed in the DBP Trust under a Directional Trust Agreement between UNDP and DBP.

As of December 31, 2024, the outstanding balance of the FINESSE Fund is Php 6.09 million (Peso Trust Account) and Php 3.79 million (Dollar Trust Account).

c) *Swedish Government Grant*

Training and Technical Assistance (TTA) is a form of grant from the Swedish government through the Beregningen for International Teknikst-ekomiskt Samarbate of Sweden (the "BITS" Sweden") attached to DBP's loan obtained from WB for Industrial Restructuring in 1991.

With the approval of BITS of Sweden, the TTA fund was lent to one (1) eligible borrower to support the company's long-term strategic plan to produce high-grade bleached market pulp from its own plantation of falcate and bagras. The repayments of the loan made by the borrower were deposited in the Trust Account managed by the TTA Fund Board of Trustees (BOT). After the closure of the loan, the TTA Fund Trust Account remained unutilized.

The purpose of the TTA Fund is to finance environment protection, conservation and preservation projects including but not limited to the following:

- Acquisition of consultancy services
- Undertaking of feasibility studies
- Acquisition of materials, tools and services for training/workshop/other capacity building activities and other incidental expenses related to environmental projects

In 2021, the TTA Fund BOT approved the termination of the Trust Agreement with the DBP-Trust Banking Group and the transfer of the entire outstanding balance of the TTA Fund to a designated TTA Fund Savings and Special Savings Accounts in the DBP-Financial Center.

The total outstanding balance of TTA Fund grant booked under Miscellaneous Asset was closed on May 10, 2024. As of December 31, 2024, the outstanding fund balance under the designated TTA Fund Savings and Special Savings Accounts amounted to Php 11.78 million.

2.31 *Interest and Other Income and Expense*

Interest and other income and expenses are recognized on accrual basis, except for those loan accounts, which are adversely classified consistent with the guidelines of the Bangko Sentral ng Pilipinas (BSP).

The Group recognizes interest on financial instruments based on the effective interest method of accounting. The effective interest rate (EIR) method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.32 *Segment Reporting*

The Parent Bank's operating segments are reported in a manner consistent with the management reporting provided to the President and Chief Executive Officer who is responsible for allocating resources to the reportable segments and assessing their performance.

Intra-segment transactions are conducted on an arm's length basis, and each segment's income and expenses are included in the evaluation of the segment's performance. In accordance with PFRS 8, the Parent Bank identified the following operating segments: (a) Treasury and Corporate Finance, and (b) Development Lending. Note 40 discusses in length the operations and performance of these segments.

2.33 *Dividend Policy*

The Parent Bank consistently adheres to the provisions under the Revised Implementing Rules and Regulations to Republic Act (RA) No. 7656 (2016), "an act requiring Government-Owned or Controlled Corporations (GOCCs) to declare dividends under certain conditions to the National Government (NG), and for other purposes".

It shall be the policy of the State that in order for the NG to realize additional revenues, GOCCs, without impairing their viability and the purpose for which they have been established shall have a substantial amount of their Net Earnings remitted to the NG.

"Net Earnings" as defined in RA 7656 refers to income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon, but in no case shall any reserve for whatever purpose be allowed as a deduction from Net Earnings. For the avoidance of doubt, "Net Earnings" shall include:

i. *Income subject to tax, as provided in the Annual Income Tax Return, net of tax;*
i. *Income subject to final tax, as provided in the Annual Income Tax Return Schedule on Supplemental Information, net of tax; and*
iii. *Income exempt from tax, as provided in the Annual Income Tax Return Schedule on Gross Income/ Receipts Exempt from Income Tax, net of tax.*

Also, consistent with BSP Circular No. 888 dated October 9, 2015, the following provisions are strictly complied with:

i. *That the Parent Bank shall not declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts;*
ii. *That the Parent Bank has complied with the requirements in the declaration of dividends as stated in the MORB Section X136.2 a to f; and*
iii. *That the Parent Bank shall ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividends distribution.*

Declaration of dividends shall be reported by the Parent Bank to the appropriate department of BSP-SES within 10 banking days after the date of declaration as duly approved by the Board of Directors (BOD).

Note 3 – Significant Accounting Judgments and Estimates

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

3.1 Impairment Losses on Financial Assets

The measurement of impairment losses both under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The details of impairment losses on financial assets are presented in Note 21.

3.2 Fair Value of Derivatives

The fair values of financial instruments that are not quoted in active markets are determined by using valuation methods. Where valuation methods are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practicable, valuation methods use only observable data. Changes in assumptions about these factors could affect reported fair values of financial instruments.

3.3 Financial Assets at Amortized Costs

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost, the 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 the sales or derecognition of debt instrument under any of the circumstances spelled out under paragraph 7, section 2 of BSP Circular No. 708, Series of 2011. Details are presented in Note 14.

3.4 Financial Assets Not Quoted in an Active Market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination if quoted prices are readily and regularly available, and if those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group has investments in non-marketable equity securities (INMES) that are classified as fair value through other comprehensive income (FVOCI) upon adoption of PFRS 9. These INMES accounts are measured at fair values based on guidelines provided by PFRS. Judgement is involved in the selection and application of a valuation technique, which significantly relies on the available information unique to each INMES being valued. Methods considered based on PFRS are multiples valuation method, if sufficient comparable companies are known; discounted cash flow method, if cash flow is unique such as unequal growth rates; adjusted net asset method, in case information on specific facts and circumstances of the company such as history, nature of the investee's assets and liabilities, capital structure, etc. are available. Details are presented in Note 13.

Further, the selection of the valuation method to be used considers the possible results, which will be most representative of the fair value of each INMES. Lastly, the technique to be used also considers the least subjective adjustments to the available inputs, maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs.

3.5 Classification of Non-Current Assets Held for Sale (NCAHFS)

The Group follows the principles in PFRS 5 in classifying foreclosed assets as assets held for sale when the carrying amount of the assets will be recovered principally through sale. The Group is committed to a plan to sell these foreclosed assets and the assets are actively marketed for sale at a price that is reasonable in relation to their current fair value. Subsequent write-down of the asset to fair value less cost to sell is recognized as impairment loss in the statement of profit or loss.

3.6 Realization of Deferred Income Tax Assets

The Group reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. The Group believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized. Details are presented in Note 22.

Note 4 – Fair Values of Financial Assets and Liabilities

The table below summarizes the carrying amount and fair value of those significant financial assets and liabilities not presented on the statement of financial position at fair value at December 31, 2024:

	Carrying Amount		Fair Value	
	Group	Parent	Group	Parent
Financial assets:				
Cash and other cash items	5,078,336	5,057,045	5,078,336	5,057,045
Due from Bangko Sentral ng Pilipinas	71,727,159	71,056,847	71,727,159	71,056,847
Due from other banks - net	12,143,334	12,112,452	12,143,334	12,112,452
Interbank loans receivable	16,204,727	16,204,727	16,204,727	16,204,727
Securities purchased under agreement to resell	4,771,649	4,771,649	4,771,649	4,771,649
Financial assets at fair value through profit or loss (FVTPL)	7,185,646	7,185,646	7,185,646	7,185,646
Financial assets at fair value through other comprehensive income (FVOCI)	67,292,602	67,261,581	67,292,602	67,261,581
Financial assets at amortized cost (Held to collect -net)	225,611,699	225,488,277	325,585,051	325,461,629
Financial assets at amortized cost (Loans and receivables - net)	506,162,193	503,512,069	506,162,193	503,512,069
Other assets - net	5,041,533	4,456,010	5,041,533	4,456,010
Total	**921,218,878**	**917,106,303**	**1,021,192,230**	**1,017,079,655**
Financial liabilities:				
Deposit liabilities	744,874,725	744,385,115	744,874,725	744,385,115
Bills payable	37,753,430	36,969,470	37,753,430	36,969,470
Bonds payable	40,812,802	40,812,802	40,812,802	40,812,802
Due to Bangko Sentral ng Pilipinas/other banks	57	57	57	57
Manager's checks and demand drafts outstanding	206,566	205,693	206,566	205,693
Accrued taxes, interests and expenses	7,406,190	7,142,534	7,406,190	7,142,534
Total	**831,053,770**	**829,515,671**	**831,053,770**	**829,515,671**

4.1 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over the counter ("OTC") derivative contracts. The primary source of input parameters like London Interbank Offer Rate (LIBOR) yield curve or counterparty credit risk is Bloomberg.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The appropriate level is determined based on the lowest level input that is significant to the fair value measurement.

4.2 Fair Value Hierarchy

The following table presents the fair value hierarchy of the Group and the Parent Bank's assets, exclusive of accrued interest receivables, at December 31, 2024: (in thousand pesos)

	Group			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
FVTPL				
Debt securities	7,155,140	0	0	7,155,140
Equity Securities	30,156	0	0	30,156
	7,185,296	0	0	7,185,296
FVOCI				
Debt securities	66,190,704	0	0	66,190,704
Equity Securities	185,301	22,110	276,531	483,942
	66,376,005	22,110	276,531	66,674,646
Held to Collect				
Unquoted debt securities classified as loan	0	12,446,887	0	12,446,887
TOTAL	**73,561,301**	**12,468,997**	**276,531**	**86,306,829**

	Parent			
	Level 1	Level 2	Level 3	Total
Financial assets:				
FVTPL				
Debt Securities	7,155,140	0	0	7,155,140
Equity Securities	30,156	0	0	30,156
	7,185,296	0	0	7,185,296
FVOCI				
Debt Securities	66,190,704	0	0	66,190,704
Equity Securities	170,280	22,110	260,531	452,921
	66,360,984	22,110	260,531	66,643,625
Held to Collect				
Unquoted Debt Securities Classified as Loans (UDSCL)	0	12,446,887	0	12,446,887
Total	**73,546,280**	**12,468,997**	**260,531**	**86,275,808**

The Parent Bank used the "market approach" in the valuation of unquoted equity securities. Under this approach, the Parent Bank estimated the fair value of the assets using the multiples (e.g., price-to-book) of publicly traded comparable companies. Comparable companies include companies that are similar with the equity securities in terms of industry, market, product line or service type, growth, etc. These instruments are included in Level 3.

Note 5 – Management of Risks

The responsibility of risk management resides in all levels of the organization with the Board of Directors (BOD) being ultimately responsible for the overall risk management of the Parent Bank. The risk management processes of the subsidiaries and affiliates, on the other hand, are separate responsibilities of their respective BOD.

The Parent Bank has established an enterprise risk management framework that meets best-practice and various regulatory requirements relative to its size, scope, and complexity. It is continually enhanced to address current challenges including continuing Basel III implementations, striking a balance between risks and returns, and achieving a risk profile suitable to the Parent Bank's business plans. Risk and capital management are performed at all levels of the organization, instituting a culture of risk awareness and a risk-based approach to decision-making.

The BOD sets the tone and risk tolerance, draws up the risk strategy for the Parent Bank, and leads the promotion of a risk awareness culture throughout the institution. Strategic decisions in relation to risk management are made by the Risk Oversight Committee (ROC). The Senior Management then provides direction and visible management support in the implementation of risk management processes.

The Enterprise Risk Management Group (ERMG), as part of the Parent Bank's second line of defense, serves as the implementing unit of the ROC and is responsible for the development and implementation of the enterprise risk management framework. The management and mitigation of risks, specifically in credit, market, and operational risk areas, are carried out through policies approved by the BOD as endorsed by the ROC, the Credit Committee (CreCom), the Asset Liability Management Committee, and/or the Management Committee. The BOD-level Audit and Compliance Committee, assisted by the Internal Audit Group and Compliance Management Group, is responsible for monitoring compliance with the Parent Bank's policies, processes, and controls and regulatory requirements.

The Parent Bank continues to take various initiatives in response to the changing risk environment to further reinforce its risk management capabilities. This puts the Parent Bank in a stronger position to manage both its current activities and support further growth and expansion. Meanwhile, the Parent Bank's subsidiaries and affiliates manage their respective risks separately, each having their own risk management processes. These, however, have a similar structure to that of the Parent Bank. Policies and procedures adopted by the subsidiaries and affiliates are aligned with its Parent Bank, under regular monitoring by ERMG.

5.1 Credit Risk

Credit risk is the risk of potential financial losses arising from failure of a borrower or counterparty to discharge its contractual payment obligations. Credit exposures arise from loans and advances to borrowers, commitments to counterparties, guarantees issued on clients' paying performance, investments in debt instruments of issuers, market-traded or over-the-counter derivatives, and off-balance sheet financial arrangements. Credit risk comprises the biggest risk exposure of the Parent Bank as it is naturally exposed to credit risk in line with its core lending and money market activities with financial institutions, corporations, local government units, electric cooperatives, water districts, and micro, small and medium enterprises.

The ROC provides direction and guidance in formulating the policy framework to manage credit exposures, developing appropriate risk management infrastructure and systems, and implementing policies and procedures. Reports are regularly provided to the BOD, thus making relevant information available to them in their oversight of the Parent Bank's risk-taking activities. Abrupt changes in the country's macroeconomic condition or a shift in the business climate of a particular industry segment for which the Parent Bank's portfolio may be concentrated could alter the risk profile of its exposure. Senior Management, therefore, takes into account the change in economic environment as it affects a particular credit or group of borrowers.

Credit policies are formulated and implemented to manage the Parent Bank's credit risk exposure within acceptable levels while pursuing its developmental mandate. Risk exposures are monitored on a portfolio level to ensure all utilizations are within approved limits thereby avoiding undue risk concentration and provide warning signal should there be portfolio deterioration. Nonetheless, the lending units have the primary responsibility for detecting, preventing, and initiating early actions on potential account deterioration.

Comprehensive pre-approval credit risk review and internal credit risk rating review are being done on a borrower level. Likewise, credit reviews are being conducted on a portfolio level.

5.1.1 Credit Approval Process

A primary element of the Parent Bank's credit approval process is a detailed risk assessment of the credit exposure associated with a borrower or counterparty. The Parent Bank's risk assessment procedures entail an evaluation of the counterparty's creditworthiness and the risks associated with the specific credit accommodation or credit facility that will be granted. Borrowers are required to meet pre-defined risk acceptance criteria. An Internal Credit Risk Rating System (ICRRS) associated with specific borrower types is used in the evaluation of the credit strength, capturing the risks inherent to each type of business. These rating systems are used for making credit decisions, for assessing credit risk of existing and potential borrowers, for pricing purposes, and for determining the Expected Credit Loss (ECL).

All credit facilities are deliberated at different levels of approving authorities delegated by the BOD depending on the total amount of exposure and security of the loan. The Parent Bank implements a system of checks and balances such that no person can singly approve a credit facility. Furthermore, independent review of the credit risk and compliance with policies, rules, and regulations are conducted by the Credit Risk Management Department and the Internal Audit Group.

5.1.2 Credit Portfolio Management

Movements in the Parent Bank's credit portfolio are closely monitored. Analysis is regularly performed to assess the Parent Bank's vulnerability to deteriorating credit environment and portfolio quality.

a) Loans and Advances

In determining credit risk of loans and advances at a counterparty level, taking into account both quantitative and qualitative measures, the Parent Bank endeavors to consider the following components, among others: (a) the probability of default by the client or counterparty on its contractual obligations; (b) current exposures to the counterparty and its likely future development; (c) the strength of financial capacity; (d) the likely recovery ratio in case of default; (e) equity contribution; and (f) quality and enforceabilityof collateral.

The Parent Bank assesses the probability of default of individual borrowers/counterparties using internal rating tools tailored to the various categories of counterparty. In the Parent Bank's rating scale, exposures migrate between classes as the assessment of their probabilities of default changes. The rating tools are reviewed and upgraded as necessary.

The Parent Bank has in place an ICRRS to assist in identifying, measuring, monitoring and pricing credit risks. The risk rating models were updated and aligned with the Philippine Financial Reporting Standards (PFRS) 9 (Financial Instruments). It is expected that with these risk rating systems, weaknesses in account management and internal controls could be addressed before the Parent Bank's portfolio deteriorates. The Parent Bank's ICRRS includes the scoring models for the following types of borrowers:

- Large Enterprises;
- Medium Enterprises;
- Small Enterprises;
- Micro Enterprises;
- Electric Cooperatives under supervision by the National Electrification Administration;
- Water Districts under supervision by the Local Water Utilities Administration;
- Local Government Units; and
- Financial Institutions.

Using the different rating models, the lending units are able to calculate the Credit Risk Rating (CRR), which shall be the basis for the approval of any new or additional loan accommodation, whether for a prospective or an existing borrower and renewal of credit lines. Consistent with the risk-based lending practice in the Parent Bank, the CRR determines the basis for the loan pricing. The ICRRS is also tied up with existing policies on account classification and expected credit loss provisioning. Definition of each rating/tier is described as follows:

CRR	Qualitative Rating	Characteristics
1	**Excellent**	• Very low probability of default and no history of payment delinquency • High debt servicing capacity; strong and stable financial position and performance • Structuring ensures remote possibility of default; generally considered non-risk counterparties • Belonging to industries with strong resilience to adverse economic and market conditions • Undisputed market leader; has ready access to immediate funding
2	**Strong**	• Low probability of default and no history of payment delinquency • More than sufficient debt servicing capacity; no sign of weakness in financial position and performance • Strong market position in the industry with favorable outlook • Reliable access to funding • Capable of withstanding external stresses and industry disruptions
3	**Good**	• Acceptable probability of default and no history of payment delinquency • Sound debt servicing capacity; conservative financial position; sustained good financial performance • May be susceptible to cyclicality; able to withstand changes in market condition
4	**Adequate**	• Risk indicators are present indicating reasonable probability of default • With history of payment delinquency within the last three (3) years with the Parent Bank or any lender, but account is current at the time of review • Comfortable debt servicing capacity; volatile financial performance with prospect of improvement • Limited access to funding • With capability to withstand adverse market condition
5	**Acceptable**	• Considerable level of risk indicators leading to relatively weak but acceptable creditworthiness • With history of payment delinquency for at least one (1) year with the Parent Bank or any lender • Account is current at the time of review • Adequate cash flow for debt service; volatile financial performance • Belonging to a vulnerable industry; may be able to traverse unfavorable market oroperating environment
6	**Start-up**	• Company with business operations of less than three (3) years and with no credit track record
	Watchlisted	• Well-defined risk indicators and strong impression of weakened credit worthiness • With record of payment delinquency within the last six (6) months of CRR review with the Parent Bank or with other lenders • Previously restructured and classified as Substandard but already performing for six (6) months or less than one (1) year • Borrowers under cross default with a related account in past due status • Past due for less than 31 days • No updated credit checkings • Three (3)-year net losses • With payment deferment/re-amortization • Evident financial difficulties and company-specific issues questions ability or willingness to service debt • Business under gestation period; outlook with uncertainty • Existing facility risks increase the risk of default • Challenges in operating environment threaten repayment capability
	Especially Mentioned	• Past due for 31-60 days (beyond curing period) or past due with other banks/creditors as reported in the latest Credit Investigation Report • Below weaknesses, if uncorrected may affect borrower's overall repayment capacity and thus deserves management's close attention: o Facility risk (deficiencies in underwriting, structure, documentation and administration that can compromise the Parent Bank's ability to control credit relationship if economic or other events adversely affect the borrower) o Documentation risk (adverse developments during releasing, non-compliance with loan covenants, terms and conditions) o Capacity to pay cannot be established; cash generation insufficient for operations and debt repayment, declining trend in liquidity, consistently declining trend in profitability, weakened position in the industry, and weakened response to industry disruptions o Cash generation insufficient for operations and debt repayment as evidenced by frequent delays or inadequate repayment of principal/ interest with the Parent Bank and/or other FIs o Continuous renewal extension without reduction in principal unless capacity to pay has been re-established • With court case that has impact on operations and capacity to pay, tight liquidity, net loss for one year, weak industry conditions, and impaired ability to weather adverse economic conditions

CRR	Qualitative Rating	Characteristics
	Substandard	• Past due for 61-120 days for unsecured credit or 61-365 days for secured credit • Well-defined weaknesses that may jeopardize repayment / full repayment as indicated below: o Adverse developments and trends that affect willingness or repayment ability o Weak financial condition and results of operations o Deficit capital, cashflow / liquidity problems, sustained losses, adverse industry conditions, and unable to weather adverse economic conditions o Collateral have been found with defects as to ownership or other adverse information o Prolonged breach of financial covenants affecting capacity to pay o Classified "Especially Mentioned" in the previous review without adequate correction and/or improvement in the weaknesses identified when the account was classified as LEM
	Doubtful	• Past due for 121-180 days (over 1 year to 5 years for secured) • Has recently stopped operations • Bankruptcy proceedings • More severe weakness based on known facts, conditions make collection highly improbable, non-operating or unable to operate, adverse industry conditions, and unable to weather adverse economic conditions • Secured loans where properties offered as collateral are either subject to an adverse claim rendering settlement of the loan through foreclosure doubtful or whose value has materially declined without the borrower offering additional collateral to cover the deficiency • Classification to "Loss" is imminent and is only being deferred based on specific factors, which may strengthen the assets that include: merger, acquisition or liquidation procedures, capital infusion, perfecting liens and refinancing plans which may work to the advantage of strengthening the asset. • With proposed viable restructuring/ payment arrangement notwithstanding the past due aging. • Past due for 6 - 12 months unsecured credit but borrower signifies willingness to pay with proof of source of repayment
	Loss	• Considered uncollectible or worthless • Unsecured credit to sole proprietor who passed away and recovery from other risk mitigants proved futile • Borrower's and co-makers / guarantor's whereabouts are unknown, or insolvent or their earning power is permanently impaired • Collaterals securing the loans are without recoverable values

b) Debt Securities

For debt securities issued by sovereigns or foreign corporate companies, external ratings, given by international rating agencies such as Standard & Poor's, Moody's, Fitch, or their equivalent, are used by the Parent Bank to assess credit risk exposures. Investments in these securities allow the Parent Bank to further diversify its credit portfolio while maintaining considerable liquid assets. The external ratings are made as benchmarks for the Parent Bank's own credit rating systems.

Creditworthiness of a counterparty-issuer is determined by employing a combination of quantitative and qualitative assessments alongside active Senior Management and Board-level deliberations. Limits, exit mechanisms, and implications on credit concentration and liquidity are some of the major areas being addressed before investments on debt instruments are approved.

5.1.3 Risk Limit Control and Mitigation Policies

The Parent Bank manages limits and controls concentrations of credit risk wherever they are identified. The levels of credit risk are structured by placing limits on the amount of risk accepted in relation to one borrower, or a group of borrowers, or an industry segment. The same is true for treasury-related activities. Such risks are monitored on a regular basis and are subject to an annual or more frequent review when considered necessary. Macroeconomic indicators, industry analyses, and individual borrower risk assessments are taken into consideration to determine adjustments in existing lending limits.

Limits on large exposures and credit concentration are approved by the Board of Directors (BOD). These credit limits set the maximum credit exposures the Parent Bank is willing to assume over specified periods. The Parent Bank's credit policies also establish procedures for exceptional cases when it may assume exposures beyond established limits. Actual exposures against established limits are monitored regularly to ensure that business units operate within the Parent Bank's defined risk tolerance. Industry concentration is quantified and regularly monitored against a Standard Concentration Index.

The Parent Bank employs a range of policies and practices to mitigate losses in case of default by a borrower. Some of these specific control and mitigation measures are outlined below:

a) Collateral

One of the most traditional and common practices in credit default loss mitigation is requiring security for loans and advances. The Parent Bank implements guidelines on the acceptability of specific classes of collateral. The principal collateral types for loans and advances are:

- Mortgages over real estate properties and chattels;
- Hold-out on financial instruments, such as debt securities, deposits, and equities;

- Assignment of receivables;
- Credit life insurance or mortgage redemption insurance; and
- Standby letters of credit or use of guarantees.

In order to minimize credit loss, the Parent Bank seeks additional collateral from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

b) *Credit – Related Commitments*

Standby letters of credit carry the same credit risk as loans albeit on contingent basis. Documentary and commercial letters of credit are written undertakings by the Parent Bank on behalf of a customer authorizing a third party to draw drafts on the Parent Bank up to a stipulated amount under specific terms and conditions. These are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, or letters of credit. With respect to credit risk on commitments to extend credit, the Parent Bank manages its potential exposure to loss in an amount equal to the total unused commitments by a combination of effective fund management and imposition of commitment fees and are contingent upon customers maintaining specific credit standards. The Parent Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

5.1.4 Impairment and Provisioning Policies

Estimation of the Expected Credit Loss (ECL) is done on a quarterly basis using PFRS 9-compliant models (i.e., Probability of Default, Loss Given Default, Exposure at Default, and Overlay) with consideration of the staging assessment criteria.

a) *Staging Assessment*

Stage is being assessed to determine 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. There is a significant increase in credit risk, even if there is no objective evidence of impairment yet when any of the following events occur on the financial instrument:

- PD increased by 200 per cent at reporting date from its origination;
- Risk rating deteriorated by 2 or more notches since its origination;
- Risk rating of the treasury exposure fell below investment grade (below BBB-);
- BSP classified (especially mentioned, substandard or doubtful) with any other qualitative indicators of significant increase in credit risk; and
- Loan is past due for more than 30 days as of reporting date.

If a loan account has low credit risk, the Group assumed that there is no significant increase in credit risk as of reporting date.

A loan account shall be considered as low credit risk if:
- it has low risk of default;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For regulatory reporting in accordance with BSP Circular No. 1011, s. 2018, the Parent Bank treated Stage 1 ECL as General Provisions (GP),while Stage 2 and 3 ECLs were treated as Specific Provisions (SP). A minimum of 1.00 per cent General Loan Loss Provision (GLLP) is allotted to all Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free.

ECLs for Stages 1, 2 and 3 accounts were recognized in the profit or loss statement. In cases when the computed ECL on Stage 1 accounts is less than the 1.00% GP required, the deficiency was recognized by appropriating the Retained Earnings (RE) account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in RE were considered as Tier 2 capital subject to the limit provided under the Revised Risk-Based Capital Adequacy Framework.

b) *Probability of Default (PD)*

PD is an estimate of the likelihood that the counterparty will default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

The Group adopted the definition of default as defined by BSP. The Group considered a financial instrument as in default and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As part of the qualitative assessment of whether a customer is in default, the Group considered a variety of instances that indicated unlikeliness to pay. When such events occurred, the Group carefully considered whether the event resulted in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 was appropriate. The Group generally classified a financial instrument as in default when the following cases occurred:

- If a credit obligation was considered non-performing under existing rules and regulations;
- If a borrower/obligor has sought or has been placed in bankruptcy, has been found insolvent, or has ceased operations in the case of businesses;

- If the Parent Bank sold a credit obligation at a material credit-related loss, i.e., excluding gains and losses due to interest rate movements. Parent Bank's board-approved internal policies that govern the use of their internal rating systems must specifically define when a material credit-related loss occurred; and
- If a credit obligation of a borrower/obligor was considered to be in default, all credit obligations of the borrower/obligor with the Group were also considered to be in default.

The table below summarizes the Parent Bank's PD estimation approach for each portfolio segmentation:

Portfolio	Estimation Approach
Corporate Loans	Calibrated PD based on Internal Credit Risk Rating (Quantitative and Qualitative factors)
Loans to Government Units	Qualitative and quantitative assessment with expert judgment
Electric Cooperatives	Qualitative assessment based on nature of instrument, financial performance and regulatory scorecard
Water Districts	Qualitative assessment based on nature of instrument, financial performance and regulatory scorecard
Salary Loans	Vintage analysis based on historical loss dataset
Universal and Commercial Banks	External rating-based approach
Rural Banks	Qualitative assessment with expert judgment
Cooperatives and Microfinance	Qualitative assessment with expert judgment
Others	Vintage analysis

c) *Forward-Looking Information (Overlay)*

The overlay is an adjustment to the ECL to incorporate future expectations of the economy by establishing a relationship between credit risk and macroeconomic factors over time. The Group recognized that the best available forward-looking information were included, along with current economic state and historical loss experience, in determining the appropriate level of ECL.

The Group incorporated the overlay in the portfolio PD through regression analysis. Multiple linear regression was utilized to quantify the historical relationship of macroeconomic factors with observed default rates. The observed default rate data served as the dependent variable of the linear regression model, while the macroeconomic factors were the independent variables.

Expert judgment and statistical metrics were used in determining the overlay models for each corporate portfolio. Forecasting for the relevant variables was likewise used to determine the forward-looking Point-in-Time PDs.

d) *Loss Given Default (LGD)*

The Group defines LGD as the amount of loss incurred from a defaulted account after considering all recoveries and costs. The Group's LGD was developed based on the historical workout data of recovery, which is aligned with the concepts and methodology with Basel Internal Ratings-Based Approach for credit risk measurement. It was classified based on the sources of recoveries namely:

- Cured – Refers to those accounts that have defaulted but were able to pay the installment in arrears and revert to performing loans without any significant actions taken by the Group. An account was deemed cured when there was at least six consecutive months of zero default from the last default date. The month when an account reached the sixth month for the first time was the curing date.

- Restructured – Occurred when the payment schedule of the loan has changed or a new loan has been issued to replace the defaulted facility.

- Liquidated - Refers to those accounts whose loans were paid off through borrower payments, payment in kind (dacion en pago), or foreclosure, as well as accounts whose loans have been written-off or have been undergoing litigation.

e) *Exposure at Default (EAD)*

The Group defines EAD as the expected value of the exposure at the time of default. It takes into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. For uncommitted credit lines, EAD is equal to the outstanding balance as of reporting date. However, for committed lines, the EAD is considered as the expected portion of the loan commitment that was drawn as a customer approaches default.

In crafting the sample for EAD, the Group included all term loans, which were availed in multiple instances. Term loans whose credit limit have been availed of partially – on multiple instances, were included in the sample for EAD. For term loans falling under this type of scenario, cash conversion factor (CCF) was still calculated and EAD was imputed since its behavior was similar to that of a Revolving Credit Line. CCF is defined as the ratio of the currently undrawn amount of a commitment that was expected to be drawn while a customer approaches default.

Three probable scenarios were developed by the Group with corresponding weights for calculation of ECL. These were based on the different economic outlooks of the Group, which were incorporated in the Overlay Model for ECL calculation.

Scenario	Probability	Description
Upside Case	10%	Positive economic outlook
Base Case	60%	Steady economic outlook
Downside Case	30%	Negative economic outlook

As required under PFRS 9, ECL reflects an unbiased and probability-weighted estimate of credit losses over the expected life of the financial instrument (i.e. the weighted average of credit losses with the respective risks of a default occurring as the weights). This probability-weighted computation was applied to Stages 1, 2 and 3 of PFRS 9 ECL.

The table below shows the percentage of the Group and Parent Bank's loans and receivables and the related allowance for impairment as of December 31, 2024 and 2023:

	Group			
	2024		2023	
	Credit Exposure	Allowance for Impairment	Credit Exposure	Allowance for Impairment
Pass	79.60%	3.41%	80.00%	2.38%
Especially Mentioned	14.94%	12.72%	14.00%	10.43%
Substandard	2.74%	33.76%	3.25%	30.21%
Doubtful	1.96%	43.38%	1.95%	47.98%
Loss	0.76%	89.20%	0.80%	85.84%
	100.00%		100.00%	

	Parent			
	2024		2023	
	Credit Exposure	Allowance for Impairment	Credit Exposure	Allowance for Impairment
Pass	79.79%	3.42%	80.22%	2.39%
Especially Mentioned	15.03%	12.72%	14.07%	10.45%
Substandard	2.53%	35.44%	3.06%	31.00%
Doubtful	1.92%	43.60%	1.87%	48.20%
Loss	0.73%	88.96%	0.78%	85.48%
	100.00%		100.00%	

5.1.5 Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Parent Bank followed the guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained were as follows:

- Cash, guarantees, securities, and physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, for real estate mortgage, commercial, industrial, and residential lots are preferred.
- Assignment of receivables
- Credit life insurance and mortgage redemption insurance
- Personal surety of major stockholders and/or principal officers

Management monitors the market value of real property collateral every five (5) years or as needed, and every year for chattels, and for marketable securities, to preserve collateral cover. The existing market value of collateral was considered on the review of the credit facilities and adequacy of the allowance for credit losses.

An analysis of the maximum exposure to credit risk as of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, is shown below based on net carrying amounts as presented in the statement of financial position.

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Due from BSP	71,727,159	76,109,867	71,056,847	75,774,099
Due from other banks	12,143,334	10,231,396	12,112,452	10,227,868
Interbank loans receivable	16,204,727	10,246,972	16,204,727	10,246,972
Securities purchased under agreements to resell	4,771,649	42,907,022	4,771,649	42,807,134
Financial asset at FVTPL - net	7,185,646	2,664,026	7,185,646	2,664,026
Financial assets at FVOCI - net	67,292,602	42,207,510	67,261,581	42,172,324
Financial asset at amortized cost - net (HTC)	225,611,699	262,892,553	225,488,277	262,771,117
Loans and receivables - net	506,162,193	486,237,941	503,512,069	483,305,972
Other assets - net	5,041,533	3,422,669	4,456,010	3,354,238
	916,140,542	**936,919,956**	**912,049,258**	**933,323,750**

Credit risk exposures relating to off-balance sheet items are as follows:

	Group		Parent	
	2024	2023	2024	2023
Undrawn loan commitments	18,555,732	17,452,858	18,555,732	17,452,858
Others	2,783,885	1,234,285	2,783,884	1,234,285
	21,339,617	**18,687,143**	**21,339,616**	**18,687,143**

5.1.6 Credit Quality

The following table shows the credit quality of financial assets as of December 31, 2024 and 2023:

	Group 2024				
	Loans and receivables	Loans and advances to banks *	Investment securities **	Other Assets ***	TOTAL
Neither past due nor impaired	430,859,017	104,847,542	300,513,217	5,323,593	841,543,369
Past due but not impaired	2,793,647				2,793,647
Impaired	111,039,337				111,039,337
	544,692,001	104,847,542	300,513,217	5,323,593	955,376,353
Allowance for impairment	(38,529,808)	(673)	(423,270)	(282,060)	(39,235,811)
	506,162,193	**104,846,869**	**300,089,947**	**5,041,533**	**916,140,542**

	Group 2023 As Restated				
	Loans and receivables	Loans and advances to banks *	Investment securities **	Other Assets ***	TOTAL
Neither past due nor impaired	435,483,123	139,495,257	308,130,156	3,688,462	886,796,998
Past due but not impaired	4,546,682				4,546,682
Impaired	77,063,214				77,063,214
	517,093,019	139,495,257	308,130,156	3,688,462	968,406,894
Allowance for impairment	(30,855,078)		(366,067)	(265,793)	(31,486,938)
	486,237,941	**139,495,257**	**307,764,089**	**3,422,669**	**936,919,956**

	Parent 2024				
	Loans and receivables	Loans and advances to banks *	Investment securities **	Other Assets ***	TOTAL
Neither past due nor impaired	429,415,948	104,146,348	300,358,774	4,709,314	838,630,384
Past due but not impaired	2,237,223	0	0	0	2,237,223
Impaired	109,934,606	0	0	0	109,934,606
	541,587,777	104,146,348	300,358,774	4,709,314	950,802,213
Allowance for impairment	(38,075,708)	(673)	(423,270)	(253,304)	(38,752,955)
	503,512,069	**104,145,675**	**299,935,504**	**4,456,010**	**912,049,258**

	Parent 2023 As Restated				
	Loans and receivables	Loans and advances to banks *	Investment securities **	Other Assets ***	TOTAL
Neither past due nor impaired	433,804,741	139,056,073	307,973,534	3,590,408	884,424,756
Past due but not impaired	4,546,682				4,546,682
Impaired	75,255,538				75,255,538
	513,606,961	139,056,073	307,973,534	3,590,408	964,226,976
Allowance for impairment	(30,300,989)		(366,067)	(236,170)	(30,903,226)
	483,305,972	**139,056,073**	**307,607,467**	**3,354,238**	**933,323,750**

* Comprised of Due from BSP, Due from Other Banks, Interbank Loans Receivable and Securities Purchased Under Agreements to Resell
** Comprised of FVTPL, FVOCI and Amortized Cost
*** Comprised of Accounts Receivable, Other Receivables and Other Assets

The tables below present the aging analysis of gross amount of loans and receivables that were past due but not impaired. Collateralized past due loans are not considered impaired when the cash flows that may result from foreclosure of the related collateral are higher than the carrying amount of the loans.

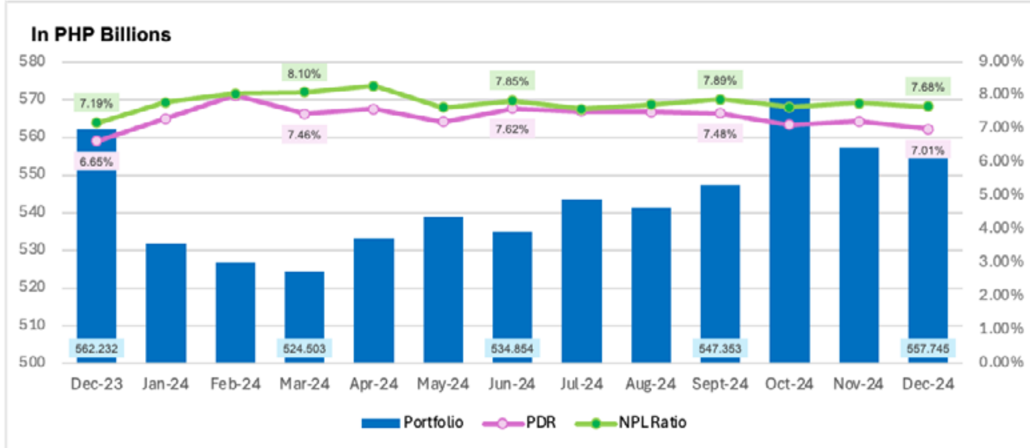
	Group		Parent	
	2024	2023	2024	2023
Past due less than 31 days	604,217	262,795	64,756	262,795
Past due 31 - 60 days	17,467	2,056,711	17,467	2,056,711
Past due 61 - 90 days	6,598	1,244,497	6,598	1,244,497
Over 90 days	2,165,365	982,679	2,148,402	982,679
	2,793,647	**4,546,682**	**2,237,223**	**4,546,682**
Fair value of collateral	**0**	**130,341**	**0**	**130,341**

Credit quality of foreign currency-denominated investments are classified according to the following credit grades, which are based on the below-enumerated range of Standard and Poor's (S&P) equivalent long-term issue ratings:

	S & P Credit Equivalent Ratings	
Credit Grades	From	To
High Grade	AAA	BBB-
Standard Grade	BB+	B
Substandard	B-	C
Default	D	

Credit ratings used for exposures to the Philippine government and its instrumentalities are the S&P sovereign long-term rating of the Philippines for its foreign currency and local denominated debt, which are both at BBB+ (investment grade).

The Parent Bank has maintained single-digit levels of NPL Ratios throughout the year. The graph below shows the NPL Ratio against the Parent Bank's Total Loan Portfolio and the movement in the NPL Ratio from December 2023 to December 2024. The closing NPL ratio for 2024 was 7.68 per cent with an NPL Ratio high of 8.29 per cent in April 2024.



5.1.7 Detailed Credit Quality Analysis on Investments

The following tables present the Parent Bank's detailed grade classification and staging analysis of financial investments in compliance with PFRS 7 and 9, respectively:

	PARENT 2024			
	FVTPL*	FVOCI*	FA at Amortized Cost**	Total
Grade				
High Grade	5,754,858	65,030,378	193,810,192	264,595,428
Standard Grade	1,400,632	1,778,282	32,101,355	35,280,269
Substandard Grade	0	0	0	0
Default	0	0	0	0
Total	**7,155,490**	**66,808,660**	**225,911,547**	**299,875,697**
Stage				
1	7,155,490	66,808,660	225,911,547	299,875,697
2	0	0	0	0
3	0	0	0	0
Total	**7,155,490**	**66,808,660**	**225,911,547**	**299,875,697**

* Exclusive of Php 483,077 million Investment in Equity Securities (See Notes 12 and 13) as these are not credit exposures.
** Inclusive of Accrued Interest Receivables but exclusive of Allowance for Credit Losses.

	PARENT 2023			
	FVTPL*	FVOCI*	FA at Amortized Cost**	Total
Grade				
High Grade	2,550,481	41,128,655	238,753,853	282,432,989
Standard Grade	0	363,385	24,383,331	24,746,716
Substandard Grade	0	0	0	0
Default	0	0	0	0
Total	**2,550,481**	**41,492,040**	**263,137,184**	**307,179,705**
Stage				
1	2,550,481	41,492,040	263,050,255	307,092,776
2	0	0	86,929	86,929
3	0	0	0	0
Total	**2,550,481**	**41,492,040**	**263,137,184**	**307,179,705**

* Exclusive of Php 793.829 million Investment in Equity Securities (See Notes 12 and 13) as these are not credit exposures.
** Inclusive of Accrued Interest Receivables but exclusive of Allowance for Credit Losses.

5.1.8 Detailed Credit Quality Analysis on Amortized Cost – Loans and Receivables

In view of PFRS 9 compliance, presented below are the Parent Bank's credit exposure of receivables from borrowers and its corresponding staging analysis.

PFRS 9 disclosures pertaining to 2024:

	Parent 2024 Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	290,560,862	70,318,319	34,729,253	395,608,434
Medium Enterprises (M)	5,439,478	2,781,835	5,684,286	13,905,599
Small Enterprises (S)	793,693	287,782	733,378	1,814,853
Micro Enterprises (Mi)	334,203	113,446	258,818	706,467
Local Government Units (LGU)	88,246,337	378,167	0	88,624,504
Financial Institutions (FI)	17,689,875	704,217	119,331	18,513,423
Electric Cooperatives (EC)	4,719,274	875,409	0	5,594,683
Water Districts (WD)	5,022,836	5,620	176	5,028,632
Salary Loans	6,395,756	98,637	496,959	6,991,352
Gross Loans and Receivables	**419,202,314**	**75,563,432**	**42,022,201**	**536,787,947**

	Parent 2024 Accrued Interest Receivables			
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	2,995,698	732,554	193,835	3,922,087
Medium Enterprises (M)	56,061	25,766	19,008	100,835
Small Enterprises (S)	7,719	1,766	375	9,860
Local Government Units (LGU)	1,600	481	7	2,088
Micro Enterprises (Mi)	490,006	1,914	0	491,920
Financial Institutions (FI)	105,865	3,780	0	109,645
Electric Cooperatives (EC)	24,503	7,714	0	32,217
Water Districts (WD)	21,000	33	0	21,033
Salary Loans	49,424	716	8	50,148
Accrued Interest Receivables	**3,751,876**	**774,724**	**213,233**	**4,739,833**

	Parent 2024 Expected Credit Losses			
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	5,544,517	3,942,357	23,051,076	32,537,950
Medium Enterprises (M)	224,676	235,925	3,292,311	3,752,912
Small Enterprises (S)	14,427	10,172	404,868	429,467
Local Government Units (LGU)	5,854	4,206	151,258	161,318
Micro Enterprises (Mi)	887,363	19,004	0	906,367
Financial Institutions (FI)	97,332	8,515	82,549	188,396
Electric Cooperatives (EC)	45,787	44,156	0	89,943
Water Districts (WD)	50,438	283	9	50,730
Salary Loans	64,482	10,977	496,968	572,427
Staggered Booking of Reserves (See Note 2.2.1)	-	-	(656,269)	(656,269)
Expected Credit Loss	**6,934,876**	**4,275,595**	**26,822,770**	**38,033,241**

PFRS 9 disclosures pertaining to 2023:

	Parent 2023 Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
Developmental Loans				
Large Enterprises (L)	282,714,689	54,767,185	28,167,706	365,649,580
Medium Enterprises (M)	6,955,391	3,756,612	5,344,187	16,056,190
Small Enterprises (S)	1,206,730	512,769	850,520	2,570,019
Micro Enterprises (Mi)	481,933	212,205	304,425	998,563
Local Government Units (LGU)	66,354,516	12,733,215	0	79,087,731
Financial Institutions (FI)	25,361,120	89,489	19,250	25,469,859
Electric Cooperatives (EC)	5,218,245	821,845	241,452	6,281,542
Water Districts (WD)	5,280,615	80,192	0	5,360,807
Salary Loans	7,097,393	123,630	497,290	7,718,313
Gross Loans and Receivables	**400,670,632**	**73,097,142**	**35,424,830**	**509,192,604**

	Parent 2023 Accrued Interest Receivables			
Developmental Loans	Stage 1	Stage 2	Stage 3	Total
Large Enterprises (L)	2,761,223	491,957	268,268	3,521,448
Medium Enterprises (M)	64,487	38,458	22,881	125,826
Small Enterprises (S)	9,122	5,314	5,297	19,733
Local Government Units (LGU)	3,087	1,810	0	4,897
Micro Enterprises (Mi)	311,161	108,669	0	419,830
Financial Institutions (FI)	165,080	785	0	165,865
Electric Cooperatives (EC)	21,024	1,016	844	22,884
Water Districts (WD)	19,579	109	0	19,688
Salary Loans	48,590	663	3	49,256
Accrued Interest Receivables	**3,403,353**	**648,781**	**297,293**	**4,349,427**

	Parent 2023 Expected Credit Losses As Restated			
Developmental Loans	Stage 1	Stage 2	Stage 3	Total
Large Enterprises (L)	6,071,669	5,222,657	14,565,432	25,859,758
Medium Enterprises (M)	287,780	351,174	2,683,282	3,322,236
Small Enterprises (S)	58,182	13,197	203,654	275,033
Local Government Units (LGU)	12,711	9,622	85,834	108,167
Micro Enterprises (Mi)	843,020	128,419	0	971,439
Financial Institutions (FI)	308,729	2,248	18,527	329,504
Electric Cooperatives (EC)	50,240	8,229	2,423	60,892
Water Districts (WD)	53,002	803	0	53,805
Salary Loans	179,685	8,926	400,065	588,676
Staggered Booking of Reserves (See Note 2.2.1)	-	-	(1,312,538)	(1,312,538)
Expected Credit Loss	**7,865,018**	**5,745,275**	**16,646,679**	**30,256,972**

Movements in the Gross Carrying Amounts and Allowance for Expected Credit Losses in 2024:

	Parent 2024 Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2024	400,670,632	73,097,142	35,424,830	509,192,604
New assets originated or purchased	14,384,440	5,669,378	31,504	20,085,322
Assets derecognized or repaid	(9,952,777)	(1,027,043)	(376,837)	(11,356,657)
Transfers to Stage 1	44,142,065	(25,394,151)	(500,777)	18,247,137
Transfers to Stage 2	(27,255,258)	35,034,393	(6,681,306)	1,097,829
Transfers to Stage 3	(2,786,788)	(11,816,287)	14,124,787	(478,288)
At 31 December 2024	**419,202,314**	**75,563,432**	**42,022,201**	**536,787,947**

	Parent 2024 Expected Credit Loss			
	Stage 1	Stage 2	Stage 3	Total
ECL amount at 1 January 2024	7,865,018	5,745,275	16,646,679	30,256,972
New assets originated or purchased	417,691	352,899	24,062	794,652
Assets derecognized or repaid	(173,419)	(28,499)	(323,351)	(525,269)
Transfers to Stage 1	22,162	(943,345)	(109,006)	(1,030,189)
Transfers to Stage 2	(1,032,110)	1,714,913	(1,487,545)	(804,742)
Transfers to Stage 3	(164,466)	(2,565,648)	12,728,200	9,998,086
Staggered Booking of Reserves (See Note 2.2.1)	-	-	(656,269)	(656,269)
At 31 December 2024	**6,934,876**	**4,275,595**	**26,822,770**	**38,033,241**

Movements in the Gross Carrying Amounts and Allowance for Expected Credit Losses in 2023:

	Parent 2023 Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2023	457,973,990	31,803,744	37,220,753	526,998,487
New assets originated or purchased	14,167,370	741,475	4,351	14,913,196
Assets derecognized or repaid	(12,961,073)	(2,667,322)	(683,914)	(16,312,309)
Transfers to Stage 1	(12,408,379)	(7,549,522)	(1,601,853)	(21,559,754)
Transfers to Stage 2	(43,733,326)	55,734,836	(6,468,478)	5,533,032
Transfers to Stage 3	(2,367,950)	(4,966,069)	6,953,971	(380,048)
At 31 December 2023	**400,670,632**	**73,097,142**	**35,424,830**	**509,192,604**

	Parent 2023 Expected Credit Loss As Restated			
	Stage 1	Stage 2	Stage 3	Total
ECL amount at 1 January 2023	6,189,815	1,145,373	17,249,567	24,584,755
New assets originated or purchased	276,552	61,655	4,133	342,340
Assets derecognized or repaid	(218,526)	(93,338)	(457,866)	(769,730)
Transfers to Stage 1	2,545,949	(264,583)	(346,044)	1,935,322
Transfers to Stage 2	(947,333)	5,147,353	(2,525,781)	1,674,239
Transfers to Stage 3	18,561	(251,185)	4,035,208	3,802,584
Staggered Booking of Reserves (See Note 2.2.1)	-	-	(1,312,538)	(1,312,538)
At 31 December 2023	**7,865,018**	**5,745,275**	**16,646,679**	**30,256,972**

5.1.9 *Collateral Held as Security and Other Credit Enhancements*

The Parent Bank holds collateral against loans and receivables from customers, the types of which are discussed in Note 5.1.3 (a). Estimates of fair value are based on the latest appraisal value of collaterals.

A summary of the appraised/fair value of collaterals held against loans and receivables is as follows:

	2024	2023
A. Against neither past due nor impaired		
Real Estate Mortgage	99,469,062	96,404,717
Chattel Mortgage	14,531,359	14,695,094
Deposits on Hold	6,449,439	3,772,824
IRA/Others	116,730,933	265,289,795
	237,180,793	**380,162,430**
B. Against past due but not impaired		
Real Estate Mortgage	0	68,341
IRA/Others	0	62,000
	0	**130,341**
C. Against impaired loans		
Real Estate Mortgage	85,614,874	11,127,286
Chattel Mortgage	8,364,843	6,302,298
Deposits on Hold	52,150	47,140
IRA/Others	10,140,391	4,174,523
	104,172,258	**21,651,247**
	341,353,051	**401,944,018**

The Parent Bank seeks to spread the risk exposure and prevent excessive exposures to individual counterparties, groups of related counterparties, and groups of counterparties with similar characteristics. Prudent limits have been placed on exposures to single customer/ customer groups.

5.1.10 *Credit Concentration*

An analysis of concentrations of credit risk as of December 31, 2024 and 2023 based on the carrying amount is shown below:

	GROUP 2024				
	Loans and receivables	Loans and advances to banks	Investment securities	Other Assets	TOTAL
Financial and insurance activities	35,171,344	104,847,542	279,933,364	0	419,952,250
Electricity, gas and water	165,828,011	0	6,374,570	0	172,202,581
Manufacturing	40,705,731	0	226,086	0	40,931,817
Real estate, renting and business administration	43,644,066	0	3,824,034	0	47,468,100
Wholesale and retail trade	15,909,778	0	2,880,320	0	18,790,098
Transportation and storage	25,059,475	0	7,117,781	0	32,177,256
Information and communication	16,012,235	0	6,321	0	16,018,556
Public administration	89,144,015	0	1,740	0	89,145,755

	GROUP 2024				
	Loans and receivables	Loans and advances to banks	Investment securities	Other Assets	TOTAL
Education	4,945,744	0	0	0	4,945,744
Human health and social work	23,909,066	0	0	0	23,909,066
Activities of household	7,041,657	0	0	0	7,041,657
Construction	54,104,242	0	0	0	54,104,242
Agriculture, forestry and fishing	19,317,705	0	0	0	19,317,705
Others	3,898,932	0	149,001	5,323,593	9,371,526
	544,692,001	104,847,542	300,513,217	5,323,593	955,376,353
Allowance for impairment	(38,529,808)	(673)	(423,270)	(282,060)	(39,235,811)
	506,162,193	**104,846,869**	**300,089,947**	**5,041,533**	**916,140,542**

	Group 2023 As Restated				
	Loans and receivables	Loans and advances to banks	Investment securities	Other Assets	TOTAL
Financial and insurance activities	36,490,992	139,495,257	277,217,929	0	453,204,178
Electricity, gas and water	129,647,588	0	13,243,877	0	142,891,465
Manufacturing	34,802,334	0	326,569	0	35,128,903
Real estate, renting and business administration	55,879,565	0	3,553,628	0	59,433,193
Wholesale and retail trade	20,867,458	0	2,935,136	0	23,802,594
Transportation and storage	24,978,373	0	10,412,603	0	35,390,976
Information and communication	21,586,075	0	320,754	0	21,906,829
Public administration	79,619,831	0	1,740	0	79,621,571
Education	5,517,058	0	0	0	5,517,058
Human health and social work	24,862,499	0	0	0	24,862,499
Activities of household	7,767,667	0	0	0	7,767,667
Construction	50,339,459	0	0	0	50,339,459
Agriculture, forestry and fishing	19,928,256	0	0	0	19,928,256
Others	4,805,864	0	117,920	3,688,462	8,612,246
	517,093,019	139,495,257	308,130,156	3,688,462	968,406,894
Allowance for impairment	(30,855,078)	0	(366,067)	(265,793)	(31,486,938)
	486,237,941	**139,495,257**	**307,764,089**	**3,422,669**	**936,919,956**

	PARENT 2024				
	Loans and receivables	Loans and advances to banks	Investment securities	Other Assets	TOTAL
Financial and insurance activities	35,171,344	104,146,348	279,778,921	0	419,096,613
Electricity, gas and water	165,828,011	0	6,374,570	0	172,202,581
Manufacturing	40,162,390	0	226,086	0	40,388,476
Real estate, renting and business administration	43,644,066	0	3,824,034	0	47,468,100
Wholesale and retail trade	15,583,783	0	2,880,320	0	18,464,103
Transportation and storage	23,648,963	0	7,117,781	0	30,766,744
Information and communication	15,792,710	0	6,321	0	15,799,031
Public administration	89,116,427	0	1,740	0	89,118,167
Education	4,909,594	0	0	0	4,909,594
Human health and social work	23,909,066	0	0	0	23,909,066
Activities of household	7,041,657	0	0	0	7,041,657
Construction	53,758,042	0	0	0	53,758,042
Agriculture, forestry and fishing	19,313,204	0	0	0	19,313,204
Others	3,708,520	0	149,001	4,709,314	8,566,835
	541,587,777	104,146,348	300,358,774	4,709,314	950,802,213
Allowance for impairment	(38,075,708)	(673)	(423,270)	(253,304)	(38,752,955)
	503,512,069	**104,145,675**	**299,935,504**	**4,456,010**	**912,049,258**

	Parent 2023 As Restated				
	Loans and receivables	Loans and advances to banks	Investment securities	Other Assets	TOTAL
Financial and insurance activities	36,490,992	139,056,073	277,061,307	0	452,608,372
Electricity, gas and water	129,647,588	0	13,243,877	0	142,891,465
Manufacturing	34,137,719	0	326,569	0	34,464,288
Real estate, renting and business administration	55,879,565	0	3,553,628	0	59,433,193
Wholesale and retail trade	20,474,084	0	2,935,136	0	23,409,220
Transportation and storage	23,679,489	0	10,412,603	0	34,092,092
Information and communication	21,235,553	0	320,754	0	21,556,307
Public administration	79,506,262	0	1,740	0	79,508,002
Education	5,464,822	0	0	0	5,464,822
Human health and social work	24,862,499	0	0	0	24,862,499
Activities of household	7,767,667	0	0	0	7,767,667
Construction	49,921,449	0	0	0	49,921,449
Agriculture, forestry and fishing	19,923,749	0	0	0	19,923,749
Others	4,615,523	0	117,920	3,590,408	8,323,851
	513,606,961	139,056,073	307,973,534	3,590,408	964,226,976
Allowance for impairment	(30,300,989)	0	(366,067)	(236,170)	(30,903,226)
	483,305,972	**139,056,073**	**307,607,467**	**3,354,238**	**933,323,750**

The Group's largest industry concentration is the financial and insurance activities sector given the Parent Bank's treasury investing operations, deposits with BSP and securities purchased under agreement to resell.

This includes the Parent Bank's investments in Metro Rail Transit Corporation (MRTC) pursuant to DBP Board Resolution No. 371 dated 24 September 2008, No. 26 dated 11 February 2009, No. 48 dated 4 March 2009, No. 53 dated 11 March 2009, No. 82 dated 15 April 2009, and No. 86 dated 22 April 2009. The purchase by the Parent Bank and Land Bank of the Philippines (LBP) of MRTC investments aimed to give the Government control in the MRTC Board to resolve outstanding issues between then Department of Transportation and Communications (now Department of Transportation) and MRTC. The Government Financial Institutions' (GFIs') entry also came at an opportune time because the sellers were willing to sell their MRTC holdings at a price based on the consensual unwind formula given the effect of the 2008 financial crisis.

The entry of the Parent Bank and LBP paved the way for the dropping of the Washington Arbitration Case, while the Singapore Case was kept outstanding based on mutual consent from both parties.

The Parent Bank's equity investment in MRTC is below the maximum ceiling set by BSP for single entities of 25 per cent of the net worth of the Parent Bank. Likewise, it is also below the maximum ceiling set for aggregate investment for allied/ non-allied equity investments of 50 per cent of the net worth of the Parent Bank. BSP approval was sought in compliance to BSP Regulations on investments on non-allied equity investments through BSP Manual of Regulations for Banks (MORB) Sections 375 and 376-A and as required under Republic Act No. 8791 dated May 23, 2000.

Outstanding investments in MRTC bonds have a book value of USD 10.21 million booked under Financial Assets at Amortized Cost - Held to Collect (AC-HTC) under Note 14, while investment in common and preference shares are shown in Note 13 under private equity securities.

The Parent Bank and LBP continue to work closely with the Department of Finance (DOF), Department of Transportation (DOTr), and Office of the Solicitor General (OSG) on exploring the possibility of a buyout by the DOTr.

The BSP under MB Resolution No. 267 dated 18 February 2015 allowed the Parent Bank and LBP to hold MRTC Equity investments as non-allied undertakings pursuant to Section 376-A of the BSP MORB, subject to the 35 per cent ceiling.

5.1.11 Credit Information Systems

The Parent Bank currently maintains various systems that are used to measure credit risk exposures both on and off-balance sheet. Different units, including lending officers, back-office personnel, and middle managers make use of these systems for monitoring, analysis, and reporting of exposures particularly limits and concentration. Access to this information is limited to authorized users only.

a) Customer Information System (CIS)

The CIS is an integrated customer management system that provides users in the Parent Bank with better client service tools. It captures a broad set of customer and financial information that helps the Parent Bank analyze client profiles.

b) Central Liability System (CLS)

The CLS houses the database which includes information of specific borrowers as well as other data pertaining to client account/s. It provides greater visibility into customers' data and consolidated financial reporting that will enhance operations and increase productivity through easy access to information. It enables monitoring of loan exposures to specific groups, geographical, or industry sectors.

c) Credit Information Builder (CrIB)

The Online CrIB was developed to capture all information related to individual and corporate borrowers and corresponding credit facilities extended by the Parent Bank. The system was designed to serve as the loan origination system where data stored will be used for the Parent Bank's CLS and Management Information System.

d) Integrated Treasury Management System (ITMS)

In monitoring the different credit-related exposures in the Parent Bank's Treasury Group, the Parent Bank uses an Integrated Treasury Management System (ITMS) to consolidate financial institutions' credit limits information and to enable the management of DBP's Treasury portfolio in real time. It provides credit managers with real-time control and monitoring of credit exposures, enabling efficient limit utilization across the enterprise with sophisticated credit mitigation techniques. Traders can make limit inquiries and receive limit updates in real time.

5.2 Market Risk

Market risk arises from movements in interest rates and foreign exchange rates, as well as their corresponding correlations and implied volatilities. Market Risk Management Department (MRMD) handles risk management for market risk exposures. The ultimate objective of MRMD is to measure and control the Parent Bank's risk-taking activities in the financial markets and ensure limits are established based on the level of risk tolerance defined by the BOD and the ability of the Parent Bank to absorb market shocks. The department is also responsible for monitoring the liquidity and interest rate risk profile of the Parent Bank.

The operations of MRMD are governed by market risk policies, which include the approval process and specific authorities on exposure limits. A system of market risk limits is strictly implemented and set based on industry-accepted methodologies. Market risk is primarily controlled by restricting trading operations to a list of permissible instruments within authorized limits set by the BOD. These limits are monitored on a regular basis. The monitoring of market risk is enabled by an integrated, multi-platform treasury and risk management system that streamlines control and monitoring processes.

The Parent Bank engages in foreign exchange activities to generate incremental trading income from proprietary trading, hedge currency mismatches on its statement of financial position, and to service client requirements. The Parent Bank's foreign exchange exposure is managed conservatively within the Net Open Position limits allowed by the BSP. The Parent Bank's foreign exchange exposures arising from its Official Development Assistance (ODA) funding are mostly covered by the National Government.

5.2.1 The Value-at-Risk

The Value-at-Risk ("VaR") methodology is the primary market risk measure for the Parent Bank's trading activities. The Parent Bank estimates VaR using the parametric approach at 99 per cent confidence interval. To complement the VaR calculation, stress testing and scenario analysis are performed on both individual portfolios and on the consolidated positions to examine the Parent Bank's vulnerability to plausible extreme losses due to market shocks. Daily VaR is calculated mainly for risk measurement and it is not used in determining market risk capital requirement. The Parent Bank currently adopts the Standardized Approach under the Basel II framework to compute for market risk capital requirement.

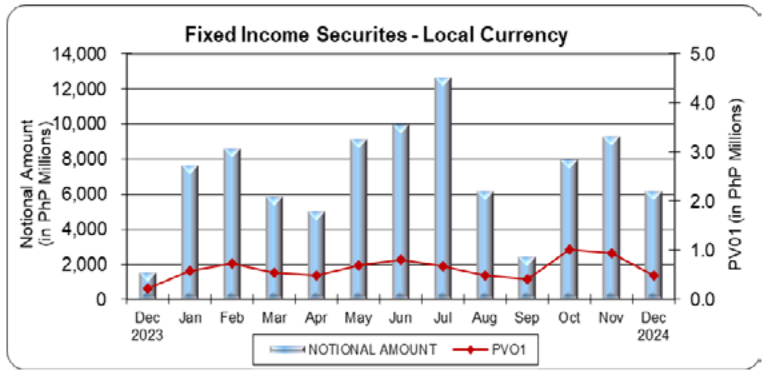
The table below provides a summary of Parent Bank's VaR profile, by risk class for 2024 and 2023:

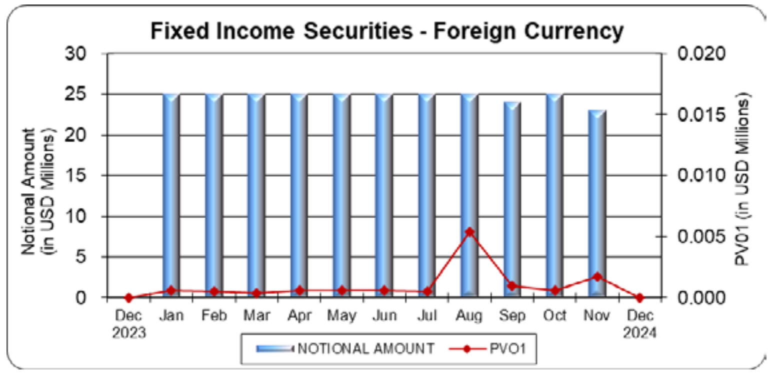
	2024	December 2023 - December 2024			2023
	Year end	Avg	Min	Max	Year end
In Php millions					
Fixed Income Trading	69.41	86.44	15.99	201.83	16.59
Equities Trading	1.20	1.58	0.32	4.72	4.88
Foreign Exchange Trading	3.12	7.52	0.06	39.26	4.88

The Parent Bank's VaR for Fixed Income Trading by year-end of 2024 is higher by 318.38 per cent than the previous year-end. The higher VaR recorded is due to a more volatile market in the local currency fixed income portfolio during the year and a higher outstanding portfolio by end-December 2024. Moreover, a Php 3.12 Million VaR is noted for the Parent Bank's Foreign Exchange Trading position as of end-2024. Meanwhile, Equities Trading ended the year with a VaR amounting to Php 1.20 Million.

5.2.2 Sensitivity Analysis

Interest rate sensitive positions in the trading book are measured using a single rate-duration based calculation of interest rate risk. The graph below shows the movement in Present Value (PV01) terms of the Parent Bank's debt securities portfolio from December 2023 to December 2024.





5.3 Liquidity Risk

The Parent Bank, as a special purpose domestic bank focused on development lending, remains to have a relatively stable liquidity position. In its development lending, the Parent Bank's funding sources are largely from core deposits of various government and non-government entities together with ODA from foreign governments and supranational development banks and agencies, which it on-lends to domestic development projects in the countryside.

The Parent Bank has implemented a comprehensive liquidity risk management framework to better manage its liquidity risk. This includes a set of liquidity risk metrics such as Maximum Cumulative Outflow, Liquidity Coverage Ratio, Net Stable Funding Ratio and Other Liquidity Ratios. Liquidity Risk Limits, Large Fund Providers, and Early Warning Signals to the Contingency Funding Plan are monitored on a regular basis. Breaches against Board-approved limits, if any, are reported to Treasury Group - Asset and Liability Management Department and other concerned business units for justifications and /or corrective actions for approval of the Senior Management and BOD.

5.3.1 Maximum Cumulative Outflow (MCO)

The liquidity risk tolerance from mismatch of assets and liabilities is reflected and monitored through the Maximum Cumulative Outflow (MCO) model, which computes for varied level of gaps per tenor bucket on a per book and currency basis. As of December 2024, liquidity gap for the first six (6) months posted net positive Php 4.6 Billion.

5.3.2 Liquidity Coverage Ratio (LCR)

In compliance with Basel III standards, the LCR is monitored to determine if there is a sufficient stock of high-quality liquid assets (HQLA) to cover for the next 30-day's net outflows. This ratio is maintained at more than 100 per cent, which is the prescribed level by the BSP. Below are details of the LCR in Single Currency, both in consolidated basis (for the Group) and solo basis (for the Parent Bank), presented in average of the four quarterly observations for the year 2024:

Group

2024 LCR DISCLOSURE

(In Single Currency, Absolute Amount)

	TOTAL UNWEIGHTED VALUE (AVERAGE)1/	TOTAL WEIGHTED VALUE (AVERAGE)2/
STOCK OF HQLA		
Total Stock of HQLA		311,339,242,211.16
EXPECTED CASH OUTFLOWS		
Deposits, of which:	738,146,441,403.19	263,919,696,271.15
Retail Funding	38,419,365,481.25	3,461,460,314.27
Wholesale Funding, of which:	699,727,075,921.94	260,458,235,956.88
Operational Deposits	327,614,482,471.36	98,284,344,741.41
Non-operational deposits (all counterparties)	372,112,593,450.58	162,173,891,215.47
Unsecured Wholesale Funding (all counterparties)	1,263,053,370.67	752,252,006.24
Secured Funding	2,425,641,408.32	-
Derivatives contracts, of which:	6,450,246,761.55	6,450,246,761.55
Outflows Related to Derivatives Exposures (net)	6,450,246,761.55	6,450,246,761.55
Outflows Related to Collateral Requirements	-	-
Structured Financing Instruments	-	-
Committed Business Facilities (all counterparties)	62,243,413,243.08	9,813,922,067.49
Other Contractual Obligations within a 30-day period	18,130,928,452.11	18,130,928,452.11
Other Contingent Funding Obligations	11,020,015,807.22	1,108,359,117.90
TOTAL EXPECTED CASH OUTFLOWS		300,175,404,676.44
EXPECTED CASH INFLOWS		
Secured Lending	480,883.36	-
Fully Performing Exposures (all counterparties)	49,952,640,009.88	36,878,767,972.44
Other Cash Inflows	16,698,325,920.72	16,698,325,920.72
TOTAL EXPECTED CASH INFLOWS	66,651,446,813.96	53,577,093,893.16
TOTAL STOCK OF HQLA		311,339,242,211.16
TOTAL EXPECTED NET CASH OUTFLOWS		246,598,310,783.28
LIQUIDITY COVERAGE RATIO (%)		132.52%

1/ Average of quarterly outstanding balances for the year 2024
2/ Average of quarterly weighted balances (applied with haircut or inflow/outflow rates) for the year 2024

Parent

2024 LCR DISCLOSURE

(In Single Currency, Absolute Amount)

	TOTAL UNWEIGHTED VALUE (AVERAGE)1/	TOTAL WEIGHTED VALUE (AVERAGE)2/
STOCK OF HQLA		
Total Stock of HQLA		310,673,734,611.09
EXPECTED CASH OUTFLOWS		
Deposits, of which:	737,655,281,449.34	263,870,566,673.80
Retail Funding	37,831,287,219.08	3,401,713,052.37
Wholesale Funding, of which:	699,823,994,230.26	260,468,853,621.43
Operational Deposits	327,737,769,105.33	98,321,330,731.60
Non-operational deposits (all counterparties)	372,086,225,124.93	162,147,522,889.83
Unsecured Wholesale Funding (all counterparties)	968,517,438.71	460,875,782.45
Secured Funding	2,425,220,975.05	-
Derivatives contracts, of which:	6,450,246,761.55	6,450,246,761.55
Outflows Related to Derivatives Exposures (net)	6,450,246,761.55	6,450,246,761.55
Outflows Related to Collateral Requirements	-	-
Structured Financing Instruments	-	-
Committed Business Facilities (all counterparties)	62,243,413,243.08	9,813,922,067.49
Other Contractual Obligations within a 30-day period	17,669,227,761.54	17,669,227,761.54
Other Contingent Funding Obligations	11,020,015,807.22	1,108,359,117.90
TOTAL EXPECTED CASH OUTFLOWS		299,373,198,164.73
EXPECTED CASH INFLOWS		
Secured Lending	-	-
Fully Performing Exposures (all counterparties)	34,913,830,954.15	36,771,611,956.33
Other Cash Inflows	17,191,673,537.31	16,396,673,549.08
TOTAL EXPECTED CASH INFLOWS	52,105,504,491.46	53,168,285,505.41
TOTAL STOCK OF HQLA		310,673,734,611.09
TOTAL EXPECTED NET CASH OUTFLOWS		246,204,912,659.32
LIQUIDITY COVERAGE RATIO (%)		132.46%

1/ Average of quarterly outstanding balances for the year 2024
2/ Average of quarterly weighted balances (applied with haircut or inflow/outflow rates) for the year 2024

In addition, below is the actual LCR as of December 31, 2024:

LCR as of December 31, 2024 (In Single Currency, Absolute Amount)		
	Group	Parent
Total Stock of HQLA	308,326,434,912.95	307,512,474,762.25
Total Net Cash Outflows	241,307,642,371.69	241,158,480,298.03
LCR (HQLA/Net Cash Outflows)	127.77%	127.51%

The Group has maintained favorable levels of LCR since 2018. There have been changes in the statements of financial position components over time, but the Group remains prudent in managing liquidity particularly its LCR levels. In fact, internal thresholds are in place to serve as early warning indicator of potential breach in the regulatory level. Both PHP and USD ratios are monitored but day-to-day fluctuations in the Single Currency ratio are brought about mainly by Peso-denominated accounts, thus, currency mismatch can be managed.

Daily LCR level is driven mainly by changes in the Parent Bank's stock of HQLA and net outflows. MRMD regularly monitors the Group's compliance with the internal and regulatory thresholds while the Treasury Group ensures said compliance by maintaining sufficient stock of HQLA and managing short-term inflows and outflows. The said stock of HQLA is composed of cash and placements with the BSP, including excess reserves, to cover immediate liquidity needs. Large portion of the stock also includes investments with the National Government to cover for potential outflows from large fund providers and other funding obligations arising from FX Swaps, loan commitments, and trade-related transactions. On the other hand, the Parent Bank's net outflows remain driven by its main source of funding, government deposits.

5.3.3 Net Stable Funding Ratio (NSFR)

NSFR as of December 31, 2024 (In Single Currency, Absolute Amount)		
	Group	Parent
Available Stable Funding (ASF)	549,839,854,708.72	548,716,000,151.67
Required Stable Funding (RSF)	508,850,336,208.84	507,426,208,057.87
NSFR (ASF/RSF)	108.06%	108.14%

Complementing the LCR as Basel III ratio is the NSFR, which addresses the long-term resilience of banks against liquidity risk. It calculates the ratio of Available Stable Funding (ASF), which profiles liabilities and other funding sources as against Required Stable Funding (RSF) that rundowns assets. This ratio is likewise maintained within the BSP-prescribed level of 100 per cent.

5.3.4 Other Liquidity Ratios

	DBP Ratios1/	Industry Ratio2/
Stable Funding vs. Non-Liquid Assets	13%	11%
Liquid Assets vs. Volatile Funding	21%	30%
Liquid & Less Liquid Assets vs. Volatile Funding	26%	32%
Key Liquidity Provider Sourced Funding vs. Total Liabilities	4%	3%
Liquid Assets Ratio	16%	24%

1/ DBP ratios as of December 31, 2024
2/ Top 10 universal banks in terms of assets excluding DBP as of September 30, 2024

The Parent Bank's liquidity ratios reflect its ability to secure and preserve long-term funding and conservative approach in maintaining a significant level of liquid assets. Liquid assets are redeployed to loans and investments to take advantage of increasing interest rates mindful of other risks. The Parent Bank has also continued to strengthen its ties with government agencies and corporations to generate deposits, making it less dependent on inter-bank borrowings. In most cases, the Parent Bank has been a net lender to the interbank market.

5.3.5 Liquidity Risk Limits

The Parent Bank currently monitors a set of liquidity risk limits for prudent liquidity risk management and in compliance with BSP Circular 981. These limits reflect the liquidity risk tolerance of the BOD and Senior Management. These include limits or thresholds for the MCO, LCR, NSFR, Large Fund Provider and Funding Concentration, and other liquidity risk exposures.

5.3.6 Early Warning Signals

The Parent Bank monitors the Early Warning Signals to the Contingency Funding Plan (CFP) to detect and mitigate liquidity risks either due to external or internal factors. As such, the Parent Bank's CFP contains a well-constructed senior level action plan with clear delegation of actions and responsibilities. The CFP mainly highlights the resources or facilities that can be considered by the Parent Bank and decision points necessary to guide management systematically address a liquidity crisis event.

5.4 Foreign Currency Risk

The Parent Bank maintains its foreign currency exposure by implementing internal limits and strict adherence to existing regulations. Proprietary trading is fairly moderate with exposure restricted to major currencies and limits are set based on historical performance and risk tolerance defined by the BOD. Management of foreign currency risk is also part of market risk management handled by MRMD.

BSP caps the Parent Bank's consolidated net open foreign exchange (FX) position (either overbought or oversold) at 25 per cent of its Qualifying Capital or USD 150 Million, whichever is lower. The consolidated net open FX position is the higher of the absolute value of the sum of the net long positions ("positive" or "overbought") or the sum of the net short positions ("negative' or "oversold") in individual currencies.

The Group's consolidated net open FX position as of December 31, 2024, reported a net short position of USD 18.29 million or 1.21 per cent of its Qualifying Capital.

Also, the Group is required to fully cover foreign currency liabilities with foreign currency assets held in the FCDU books.

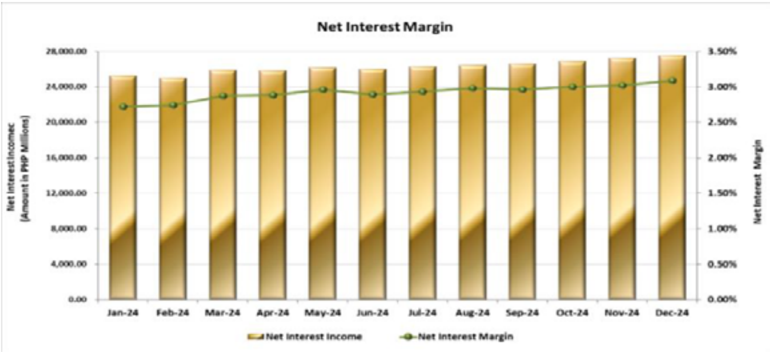
The table summarizes the Parent Bank's exposure to foreign exchange risk as of December 31, 2024. Included in the table are the Parent Bank's assets and liabilities at carrying amounts, categorized by currency:

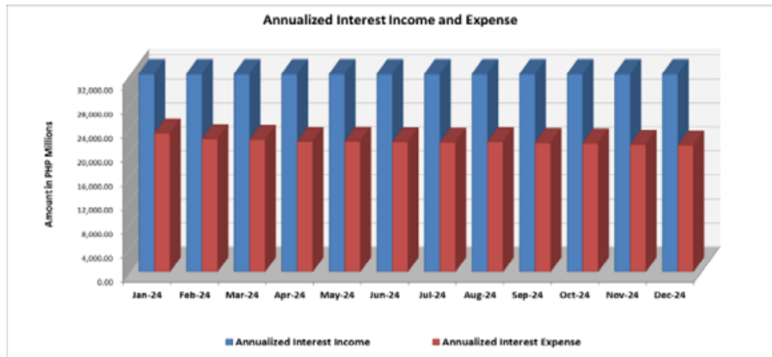
Assets	Foreign Currency	Regular Foreign	Total
Due from other banks	7,238,255	4,078,305	11,316,560
Interbank loans receivable	13,304,350	2,892,250	16,196,600
Financial assets at fair value through profit and loss (FVTPL)	0	1,214,107	1,214,107
Financial assets at fair value through other comprehensive income (FVOCI)	13,841,692	20,812,916	34,654,608
Financial assets at amortized cost	51,388,756	15,080,451	66,469,207
Loans and advances (net)	12,350,448	39,610	12,390,058
Other resources	99,137,692	48,050,512	147,188,204
Total Assets	**197,261,193**	**92,168,151**	**289,429,344**
Liabilities			
Deposit liabilities	76,156,254	0	76,156,254
Bills payable	3,347,728	7,524,927	10,872,655
Bonds payable, net	17,306,420	0	17,306,420
Accrued taxes,interest and other expenses	639,636	165,251	804,887
Other liabilities	1,046,461	29,886,557	30,933,018
Total Liabilities	**98,496,499**	**37,576,735**	**136,073,234**
Net Exposure	**98,764,694**	**54,591,416**	**153,356,110**
Total contingent accounts			**0**
Consolidated Net Open FX Position *(in US $)*			**(18,289)**

5.5 Interest Rate Risk in the Banking Book

The Parent Bank currently adopts both the Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) methodology in measuring interest rate risk exposure in the banking book (IRRBB). Extensive analysis, which includes scenario simulations on the Parent Bank's Interest Rate Gap (IRG) and EaR and its corresponding effects to Net Interest Income (NII) and Net Interest Margin (NIM), is done on a regular basis. Depending on the Parent Bank's forecast or view on short-term and long-term interest rate movements, both domestic and foreign, appropriate responses are made to mitigate the vulnerability of the Parent Bank to adverse interest rate shifts and changes in the shape of the yield curve. These tools for interest rate risk management are implemented by MRMD.

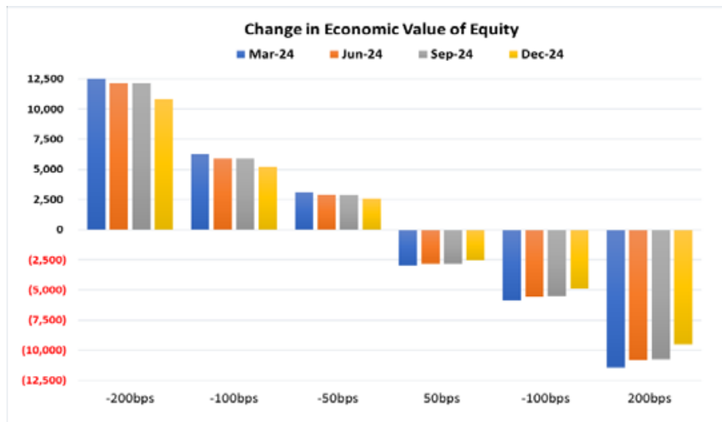
The following graphs show the monthly movement of the Parent Bank's EaR vis-à-vis limits in 2024 for both the RBU and FCDU books.





The Parent Bank also manages IRRBB through the EVE methodology. This approach focuses on the economic value of accounts sensitive to interest rate change covering short-, medium-, and long-term vulnerabilities. Applying various interest rate shocks from the computed EVE, the Change in EVE is then determined, translated to potential long-term impact in the economic value of the Parent Bank's capital.

Provided below are the potential impact on the economic value of the Parent Bank's capital with respect to interest rate-sensitive accounts employing basis points shift in interest rates.



5.6 Operational Risk Management

The Parent Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

As the Parent Bank continuously manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, the institution is moving towards integrating operational resilience in its risk management approach. Such integration will ensure that the Parent Bank can continue rendering its critical operations through significant disruption, reducing the impact on its customers and the financial system.

The Operational Risk Management Department (ORMD) is primarily responsible for the establishment and implementation of reliable and proactive operational risk management programs, policies and processes consistent with regulatory requirements, industry best practices and globally accepted frameworks. The department provides ROC with quantitative and qualitative analyses on the Parent Bank's operational risk-taking activities. Also, the department assists the ROC in defining the Parent Bank's level of operational risk-tolerance and formulation of operational risk parameters with the objective of effectively managing operational risk and efficient utilization of capital. Lastly, part of the department's task is to institutionalize a culture of operational risk awareness.

ORMD is composed of the Business Continuity Management Unit (BCMU) and Operational Risk Monitoring Unit (ORMU). These two units implement their respective risk management tools and processes, upon which the Parent Bank will build on as the institution integrates operational resilience in these tools and processes. BCMU improves and strengthens the Parent Bank's business continuity management (BCM), which includes the conduct of the Business Impact Analysis (BIA); development, review, update, and testing of Business Continuity Plans (BCP); and monitoring and compliance with regulatory requirements for BCM. ORMU improves and strengthens the Parent Bank's operational risk management, which includes risk assessment integrated in the ICAAP; conduct of the Risk and Control Self-Assessment (RCSA); and implementation of the Integrated Incident Management Framework (IIMF).

5.6.1 Operational Risk Assessment

The Parent Bank conducts regular Risk Assessment exercise, which serves to identify risk areas and vulnerabilities. Assessment of risks is conducted by the members of the Operational Risk Working Group, integrated in the annual ICAAP activities. This serves to identify risks relating to people, processes, systems and structures.

5.6.2 Business Continuity Management

Recognizing the Parent Bank's vulnerability to losses resulting from operational disruptions due to internal factors such as power outages, system downtime and external factors such as natural disasters, terrorist attacks, cyber-attacks and pandemic illness, among others, the Parent Bank continually exerts efforts to improve its business continuity management including disaster preparedness and response. The Parent Bank also established a Cybersecurity Policy and Guidelines to preserve the confidentiality, integrity, and availability of information assets in cyberspace and support its effort to maintain the resiliency of its business operations.

The Parent Bank regularly reviews and enhances its Business Continuity Management Program Manual to adopt industry best-practices and ensure that the Parent Bank's core business operations continue to function in the event of business disruption or disaster. Regular testing is scheduled and performed to ensure the ability of all Parent Bank units to recover their business operations.

Complementing the detailed contingency measures, the Parent Bank's recovery facilities are regularly assessed and maintained with a view towards the Parent Bank's recovery requirements, including application systems, equipment and supplies. The Parent Bank is also dedicated to continuing investing in technology and employee training to strengthen its operational resilience. Furthermore, the Parent Bank holds insurance policies to cover potential business interruptions caused by unforeseen events.

5.6.3 Business Impact Analysis (BIA)

The Parent Bank adopts and implements the Business Impact Analysis process, which aims to enable the business units to identify business functions that have the most impact on the Parent Bank and to determine the effect or impact of an interruption of services resulting from businessdisruption/disaster on each business unit and on the organization as a whole. The output of the BIA serves as a major input to come up with the business functions prioritization for Business Continuity Management (BCM).

5.6.4 Risk and Control Self- Assessment (RCSA)

The Parent Bank adopts and implements the Risk and Control Self-Assessment (RCSA), which aims to identify, assess, control and mitigate operational risk and to champion effective reporting of operational risk and emerging issues. RCSA forms an integral element of the overall operational risk framework, as it provides an excellent opportunity for a firm to integrate and coordinate its risk identification and risk management efforts and generally to improve the understanding, control and oversight of its operational risks. RCSA provides a systematic means of identifying control gaps that threaten the achievement of defined business or process objectives and monitoring what management is actually doing to close these gaps. In addition, the RCSA activities promote risk awareness and ownership.

5.6.5 Operational Risk Information System (ORIS)

The Operational Risk Information System (ORIS) is a risk management tool being utilized by Parent Bank that automates various risk assessment processes, namely, the Business Impact Analysis (BIA), the Risk and Control Self-Assessment (RCSA) and the Information Security Risk Assessment (ISRA). It aims to provide relevant information to assist the business units and the top management in its risk-based decision making.

5.6.6 Enhanced Operational Loss Monitoring Module (eOLMM) System

The enhanced Operational Loss Monitoring Module is a web-based information system, which facilitates the Parent Bank's operational loss data collection, analysis and resolution. The eOLMM system is primarily designed to establish a databank on operational losses of each business unit of the Parent Bank.

5.6.7. Operational Loss Incident Reporting

The Parent Bank implements the policy on Integrated Incident Management Framework, to establish a standard procedure in incident management through synergized identification, assessment, response, mitigation and monitoring of operational risk incidents. The policy provides for clear shared responsibilities, chain of command and communications between top management and business units in the management of risks brought about operational incidents. It likewise establishes appropriate guidelines, which allow risks to be addressed by generating metrics, prioritizing and developing responses.

5.6.8 Operational Risk Awareness

The Parent Bank integrates Operational Risk Awareness through the issuance of infographics on Business Continuity Management, operational risk-related trainings, and close coordination with business units regarding their operational risk concerns.

5.6.9 Operational Risk Coordinators

To ensure continuity in the implementation of the various regulatory requirements in incident reporting, operational loss monitoring, business continuity management, and operational risk management, the Parent Bank identifies and designates an Operational Risk Coordinator from each business unit. The roles and responsibilities of the coordinator cover Business Continuity Management and Operational Risk Monitoring.

Operational risk issues are likewise identified in the course of audit engagements, business process reviews and analysis of operational loss reports and data. Identification of risks in new product lines and businesses is likewise performed with the review of product manuals and new product proposals.

5.6.10 Operational Risk and Capital Efficiency

The current methodology of the Parent Bank in computing for the Operational Risk Weighted Asset (ORWA) is the Basic Indicator Approach (BIA). Under the BIA, ORWA is obtained by multiplying 15 per cent of the previous positive three-year average gross income to a specified factor.

5.7 Information Security Risk Management

The management of information technology (IT), information security (IS), and cyber-related risks form part of the Parent Bank's overall enterprise risk management initiative, adhering to the standard risk management process of risk identification, assessment, response, and monitoring.

5.7.1 IS and IT Risk Oversight Mechanism

As owners of business processes and as part of first line of defense against risks, business unit heads manage information security and technology risks at the operational level through prudential conduct of risk-taking activities, ensuring that risk thresholds are adhered to and that mandated security controls are complied with while achieving their respective business objectives. Each business unit head concurrently serves as the Associate Information Security Officer (AISO) who ensures that risk exposures arising from their business activities are periodically assessed and that reinforcing controls and mechanisms are in place and maintained to continuously reduce risks that are beyond the Board of Directors' (BOD) appetite.

The Information Security Risk Management Department (ISRMD), forming part of the second line of defense, assists the BOD in overseeing Management and business units' IS and IT risk-taking activities by monitoring risk indicators, assessed risk exposures, and related operational losses in a periodic basis, following the Enterprise IS and IT Risk Management Framework. The ISRMD serves as business units' partner and internal resource in driving business line managers and personnel in adopting risk management measures in their respective processes. ISRMD also provides a constructive validation or challenge on business units' assessment of risks and retention of controls, as part of its oversight function and independent advisory services.

Results of risk assessments and monitoring conducted all throughout the fiscal year enable ISRMD to produce the Parent Bank's annual IS and IT Risk Profile Report, which provides the BOD and the Management with an overview of the Parent Bank's risk management activities for the reported period and allows the same in setting mitigating measures to address exposures in excess of their risk appetite. The resultant risk profile also allows the Parent Bank in calibrating its subsequent risk monitoring activities when warranted.

5.7.2 Information Security Governance

Consistent with the IS and IT Risk Management Framework, the Parent Bank's governance of Information Security (covering both technology and non-technology related control domains) leverages the existing governance structure and risk management mechanisms defined in the current IS and IT Risk Management Framework.

The BOD of the Parent Bank sets the overall tone and strategic direction in achieving the Parent Bank's ideal state of information security. Senior Management, consequently, provides leadership and support for achieving the ideal state and ensures that the needed intervention and resources for such are adequately provisioned. To ensure that these are undertaken in a systematic manner and is cascaded to all business units concerned, the IS Risk Management (ISRM) Strategy and the corollary IS Program is formulated and maintained by the Head of ISRMD, acting as the Parent Bank's Chief Information Security Officer. The ISRM Strategy serves as a roadmap for improving the Parent Bank's capabilities and its state in managing risks to its information assets' confidentiality, integrity, and availability. The IS Program, correspondingly, supports and sets in motion detailed guidance and processes in operationalizing the necessary security controls and processes to be able to achieve the end-goal of the ISRM Strategy.

The ISRM Strategy and IS Program are complemented with the following IS governance activities spearheaded or overseen by ISRMD: (a) the formulation and maintenance of IS documentation, such as the Main IS Policy and other subordinate policies and guidelines that include but are not limited to information asset management, access control, operations security, incident management, etc., (b) the conduct of the Parent Bank's IS Awareness and Training Program, (c) the supervision and steering of the IS Incident Response Team, among others as defined by regulations and internal requirements.

5.8 Capital Management

5.8.1 Approach to Capital Management

Decisions and strategies undertaken by the Parent Bank are geared towards achieving capital adequacy and efficiency. Under the Internal Capital Adequacy Assessment Process (ICAAP), the Parent Bank has instituted an enterprise-wide process that ensures that all inherent risks in the loan and investment portfolio are properly identified, and risk-taking activities are consistent with the risk appetite set by the BOD and Senior Management. Furthermore, various tools and methodologies, both quantitative and qualitative, are conducted on a regular basis to measure and assess risks, set up a comprehensive limit structure, and determine sufficiency of existing capital levels in absorbing market shocks.

In lending, accounts undergo thorough risk assessment to identify and reflect the actual risk profile of the counterparty. From the results of the risk assessment, Senior Management determines the Parent Bank's strategies for these transactions, such as stipulating stricter operating guidelines that will further secure its position and/or requiring compensating businesses that will enhance returns from these transactions. Furthermore, while the Parent Bank's lending is geared towards public sector project financing for sustainable development, it also extends credit facilities to private companies, financial institutions, and micro, small and medium enterprises (MSMEs). Risk profiles of these clients range from low to high risk. As such, the Parent Bank aims for an optimal use of capital through a diversified portfolio of risk exposures. Meanwhile, through instituted risk management processes, various simulations and regular stress testing are conducted on proposed major business and investment considerations to determine impact on the Parent Bank's capital, monitor its varying degrees of vulnerability, and approximate the effect of such to the Parent Bank's financial condition.

5.8.2 Capital Adequacy Framework

The Parent Bank adheres to the capital standards outlined in the Basel II Capital Adequacy Framework. The Basel II Framework was implemented in the Philippine Banking System under the guidance of the BSP in July 2007. The framework aims to promote safety and soundness in the financial system and maintain at least the current overall level of capital in the system; to enhance competitive equality; and to constitute a more comprehensive approach in addressing risks. The Parent Bank has adopted the Standardized Approach for market and credit risk capital charging while the calculation of the operational risk capital charge is based on the Basic Indicator Approach.

5.8.3 Basel II to Basel III

As an offshoot of the 1988 Capital Accord or Basel I and building on the "International Convergence of Capital Measurement and Capital Standards" document called Basel II, the Basel Committee on Banking Supervision (BCBS) created Basel III in the aftermath of the Global Financial Crisis to strengthen regulation, supervision, and risk management of the banking sector. The new Basel rules are structured around several regulatory objectives to promote capital resilience, among others, of the banking sector. It contains a new regulatory capital framework aimed at improving the quality of capital and increasing the level of capital held by universal and commercial banks (U/KBs).

Full implementation of Basel III began in January 2014 as contained in BSP Circular No. 781, s. 2013 or the Implementing Guidelines on Basel III Capital Requirements approved by the Monetary Board on December 14, 2012.

5.8.4 Enterprise Risk Management and Internal Capital Adequacy Assessment Process

Using a risk-based approach in managing the institution, the Parent Bank continues to strengthen its Enterprise Risk Management (ERM) framework, integrating the concepts of strategic planning, operations management, and internal controls. The four integral components of the ERM framework – Measurement, Infrastructure, Strategy, and Organization – are regularly assessed and reviewed.

As part of the ERM framework and as mandated by the BSP, the Parent Bank has fully implemented the Pillar II framework under the Basel III Capital Accord. The Parent Bank has institutionalized the ICAAP, aimed at assessing the institution's overall capital adequacy in relation to its risk profile and defining a strategy to maintain sufficient capital levels.

5.8.5 Capital Management

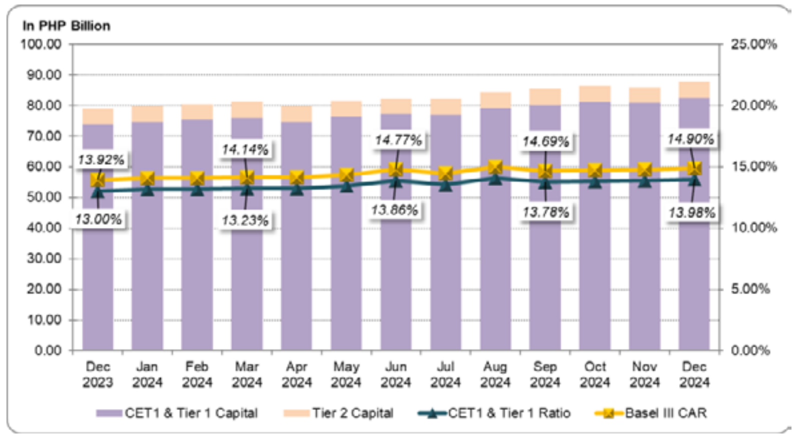
The Parent Bank and its subsidiaries continuously comply with BSP Circular No. 781 s.2013, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for U/KBs, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Said circular sets out the minimum requirements for Common Equity Tier 1 (CET1) Ratio of 6.00 per cent and for Tier 1 Ratio of 7.50 per cent. It also introduced a Capital Conservation Buffer (CCB) of at least 2.50 per cent comprised of CET1 Capital. The existing requirement for Capital Adequacy Ratio (CAR) remains unchanged at 10.00 per cent. The circular requires that banks maintain these ratios at all times. With the issuance of BSP Circular No. 1024, s. 2018, banks must comply with both the CCB and Countercyclical Capital Buffer (CCyB), which are applied in addition to the minimum CET1 requirement. Upon issuance of said circular, the CCyB is set at 0.00 per cent, subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant such but not to exceed 2.50 per cent.

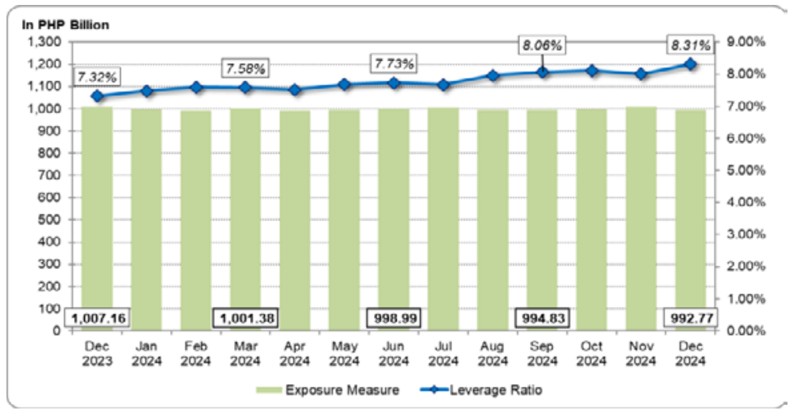
In addition to the Minimum Capital Requirements, the Parent Bank and its subsidiaries comply with BSP Circular No. 881 s.2015 or the Implementing Guidelines on the Basel III Leverage Ratio (LR) Framework. Said circular provides the implementing guidelines on the Leverage Ratio Framework in accordance with the Basel III standards. Similar with BSP Circular No. 781, the guidelines shall apply to U/KBs and their subsidiary banks and quasi-banks. It also sets out an LR requirement of not less than 5.00 per cent computed on both solo and consolidated bases.

Qualifying Capital (QC), Risk-Weighted Assets (RWA), and Exposure Measure (EM) are all computed based on BSP regulations.

The Parent Bank maintains a sufficient capital base to support its risk-taking and fund-raising activities resulting in a CAR of 14.90 per cent and an LR of 8.31 per cent as of December 2024. These above-minimum ratios reflect the Parent Bank's ability to absorb significant market shocks, its low vulnerability to external disruptions, and its sufficient capital buffer to support business growth and expansion. It is also in the Parent Bank's interest to consistently maintain a healthy capital position whilst the fulfillment of its development mandate, more so in conditions where banks, in general, tend to be risk averse.

The Parent Bank's CAR and LR from December 2023 to December 2024 are illustrated as follows:





Under Basel III, the CET1 Capital of the Parent Bank is composed of paid-up capital, retained earnings, current year profit, other comprehensive income (consisting of net unrealized gains or losses on FVOCI securities and cumulative foreign currency translation) and non-controlling interest, less required deductions such as unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI), deferred income tax, other intangible assets, defined benefit pension fund assets, goodwill, and equity investments.

CET1 Capital is calculated as follows:

COMMON EQUITY TIER 1 (CET1) CAPITAL In PHP Millions	**Group**	**Parent**
Gross CET 1 Capital		
Paid-up common stock	32,000	32,000
Retained earnings	55,158	55,023
Undivided profits	7,581	7,568
Net unrealized gains / (losses) on FVOCI securities	(535)	(545)
Cumulative foreign currency translation	238	238
Minority interest in subsidiary banks, which are less than wholly owned	0	0
Gross CET1 Capital	**94,442**	**94,284**
Regulatory adjustments to CET1 Capital increase / (decrease)		
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	(35)	(35)
Deferred tax assets	(10,210)	(10,069)
Other intangible assets	(168)	(167)
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any	0	(852)
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any	0	0
Significant minority investments (10%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	(50)	(50)
Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for both solo and consolidated bases)	(261)	(261)
Other equity investments in non-financial allied undertakings and non-allied undertakings	(355)	(355)
Total Regulatory adjustments to CET1 Capital	**(11,079)**	**(11,789)**
TOTAL CET1 CAPITAL	**83,363**	**82,495**
CET 1 Capital Requirements (6.00% of RWA)		
Credit Risk	32,233	32,067
Market Risk	183	183
Operational Risk	3,168	3,143
Capital Conservation Buffer (2.50% of RWA)	14,826	14,747
Countercyclical Capital Buffer (0.00% of RWA)	0	0
TOTAL CET 1 CAPITAL REQUIREMENT	**50,410**	**50,140**
SURPLUS/(SHORTFALL) CET1 CAPITAL (Total CET1 Capital less Total CET1 Capital Requirement)	**32,953**	**32,355**

Under Executive Order No. 81, s. 1986, as revised by Republic Act (RA) No. 8523 series of 1998, DBP's authorized share capital is Php 35 Billion divided into 350 million common shares with a par value of Php 100 per share, of which 320 million shares are fully paid-up and subscribed by the Government as of December 2024. This qualifies as CET1 Capital pursuant to BSP Circular No. 781. Common shares represent the most subordinated claim in liquidation and are entitled to an unlimited and variable claim on the residual assets after all senior claims have been repaid in liquidation. Common stock takes the first and proportionately greatest share of any losses as they occur. Principal of the common shares is perpetual and is never repaid outside of liquidation, with no expectation the instrument will be bought back, redeemed or cancelled nor do the statutory or contractual terms provide any feature, which might give rise to such an expectation. Distributions are paid out of distributable items (retained earnings included). The level of distribution is not in any way tied or linked to the amount paid in at issuance and is not subject to a contractual cap, but not beyond the level of distributable items. Distributions are obligatory pursuant to the provisions of RA No. 7656, with the Parent Bank mandated to remit at least 50 per cent of their annual net earnings (plus provisions less write-offs and other deductions/additions stated in the National Internal Revenue Code of 1997, as amended), as cash, stock, or property dividends to the Government. RA No. 7656 provides a flexibility clause, whereby in the interest of national economy and general welfare, the percentage of annual net earnings that shall be declared may be adjusted by the President of the Philippines upon the recommendation of the Secretary of Finance. Any adjustment in the percentage of annual net earnings that shall be declared by the Parent Bank as dividends to the National Government may take into account, among other financial and fiscal considerations, the need for revenues by the National Government, the level of the Parent Bank's liquidity and implementation of critical capital projects and statutory obligations.

Under the Basel III regulatory capital regime, the Parent Bank has no instrument issued that is eligible as Additional Tier 1 (AT1) Capital, hence, Total Tier 1 Capital consists solely of and is equivalent to the level of CET1 Capital. Total Tier 1 Capital is calculated as follows:

TOTAL TIER 1 CAPITAL In PHP Millions	Group	Parent
Gross Tier 1 Capital		
Gross CET1 Capital	94,442	94,284
Instruments issued by the Bank that are eligible as Additional Tier 1 (AT1) capital	0	0
Gross Tier 1 Capital	**94,442**	**94,284**
Regulatory adjustments to Tier 1 Capital increase / (decrease)		
Total Regulatory adjustments to CET1 Capital	(11,079)	(11,789)
Regulatory adjustments to AT1 Capital	0	0
Total Regulatory adjustments to Tier 1 Capital	**(11,079)**	**(11,789)**
TOTAL TIER 1 CAPITAL	**83,363**	**82,495**
Tier 1 Capital Requirements (7.50% of RWA)		
Credit Risk	40,290	40,084
Market Risk	229	229
Operational Risk	3,960	3,928
TOTAL TIER 1 CAPITAL REQUIREMENT	**44,479**	**44,241**

The other component of regulatory capital is Tier 2 (supplementary) Capital, which includes unsecured subordinated debt and general loan loss provision (GLLP). As of December 2024, Tier 2 Capital is solely composed of general loan loss provision equivalent to up to 1 per cent of Credit RWA.

Tier 2 Capital is calculated as follows:

TIER 2 CAPITAL (In PHP Millions)	Group	Parent
Gross Tier 2 Capital		
Instruments issued by the Bank that are eligible as Tier 2 capital	0	0
General loan loss provision, limited to a maximum of 1.00% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	5,414	5,386
Gross Tier 2 Capital	**5,414**	**5,386**
Regulatory adjustments to Tier 2 Capital increase / (decrease)	0	0
Total Regulatory adjustments to Tier 2 Capital	**0**	**0**
TOTAL TIER 2 CAPITAL	**5,414**	**5,386**

Total RWA is derived from the sum of Credit RWA, Market RWA, and Operational RWA, to wit:

RISK-WEIGHTED ASSETS In PHP Millions	2024		2023	
	Group	Parent	Group	Parent
Credit Risk-Weighted Assets	537,207	534,451	519,098	516,561
Market Risk-Weighted Assets	3,056	3,056	2,385	2,385
Operational Risk-Weighted Assets	52,794	52,376	47,812	47,633
TOTAL RISK-WEIGHTED ASSETS	**593,057**	**589,883**	**569,295**	**566,579**

Under Basel III, the exposure measure of the Parent Bank consists of On-Balance Sheet Exposures, Derivative Exposures, Securities Financing Transactions (SFT) Exposures, and Off-Balance Sheet Items, as follows:

EXPOSURE MEASURE In PHP Millions	Group	Parent
On-Balance Sheet Exposures		
On-Balance Sheet Items	971,169	968,501
(Asset amounts deducted in determining Basel III Tier 1 Capital)	(11,079)	(11,789)
Total On-Balance Sheet Exposures (excluding Derivatives and SFTs)	960,090	956,712
Derivative Exposures		
Replacement Cost associated with all derivatives transactions	0	0
Add-on amounts for potential future exposure associated with all derivative transactions	0	0
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0	0
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
(Exempted CCP leg of client-cleared trade exposures)	0	0
Adjusted effective notional amount of written credit derivatives	0	0
(Adjusted effective offsets and add-on deductions for written credit derivatives)	0	0
Total Derivative Exposures	0	0
SFT Exposures		
Gross SFT assets (with no recognition of netting)	4,665	4,665
(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
CCR Exposures for SFT Assets	0	0
Agent Transaction Exposures	0	0
Total SFT Exposures	4,665	4,665
Off-Balance Sheet Exposures		
Off-Balance Sheet Exposure at Gross Notional Amount	102,102	102,095
(Adjustments for conversion to Credit Equivalent Amounts)	(70,711)	(70,705)
Total Off-Balance Sheet Exposures	31,391	31,390
TOTAL EXPOSURE MEASURE	**996,146**	**992,767**

The following tables provide summary comparisons of the total accounting assets amounts and LR exposures and of the total balance sheet assets and on-balance sheet exposures:

ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURES In PHP Millions	Group	Parent
Total Consolidated Assets as per published financial statements	966,269	963,605
Adjustment for Investments in Banking, Financial, Insurance or Commercial Entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0	0
Adjustment for Fiduciary Assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0	0
Adjustments for Derivative Financial Instruments	0	0
Adjustments for Securities Financial Transactions (i.e. Repos and similar secured lending)	0	0
Adjustments for Off-Balance Sheet Items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	31,391	31,390
Other adjustments	(1,515)	(2,228)
LEVERAGE RATIO EXPOSURE	**996,145**	**992,767**

BALANCE SHEET ASSETS VS ON-BALANCE SHEET EXPOSURES In PHP Million	Group	Parent
Total Assets (per Published Financial Statements)	966,269	963,605
Add: General Loan Loss Provision	9,565	9,561
Less: Derivatives Exposure (Replacement Cost)	-	-
Less: Loans and Receivables arising from RRP	4,665	4,665
On-Balance Sheet Items	971,169	968,501
Regulatory Adjustments	(11,079)	(11,789)
ON-BALANCE SHEET EXPOSURES	**960,090**	**956,712**

5.8.6 Risk Limit Structure

The Parent Bank's risk limit structures on loans, investments, and trading activities are based on its risk appetite translated as the tolerable reduction in its capital adequacy. Risk factors and corresponding capital requirements are taken into consideration in evaluating new products and investment structures.

5.9 Stress Testing

Stress Testing is a key component of the risk management process, which allows the institution to be able to identify its vulnerabilities to exceptional but plausible events or scenarios. Stress tests have served the purpose of providing the BOD and Senior Management with potential adverse outcomes that may impact the Parent Bank's performance and attainment of certain business objectives given a variety of risks to which it is exposed to. As such, the Parent Bank may position itself to address and mitigate these risks and provide the necessary capital cushion to ensure higher loss absorptive capacity given possible large shocks and have the ability to endure deteriorating economic conditions.

The Parent Bank's Stress Testing Framework is composed of (i) Integrated Stress Testing (IST) and (ii) Reverse Stress Testing (RST).

The IST aims to provide a comprehensive enterprise-wide assessment of Parent Bank's vulnerabilities in quantitative terms under various scenarios. Identification and assessment of stress scenarios and their impact involve both qualitative judgement and empirical analysis of past crisis events. Further, the IST assists the Parent Bank in the following efforts:

- Manage concentration risk, both systemic and bank-specific;
- Define parameters for limit-setting;
- Determine the ideal level of capital for each business undertaking or risk exposure that is sufficient to absorb market shocks on every conceptualized stress scenario;
- Identify threat to the Parent Bank's liquidity position in a timely manner; and
- Determine relationship of stress events with specific risk factors based on observable data within an appropriately defined time frame.

Meanwhile, RST determines enterprise-wide vulnerabilities that could negatively affect compliance with minimum capital and liquidity requirements. It is defined as the analysis of scenarios that render the business model unviable. While both IST and RST involve scenarios and scenario-related impacts, they differ in two key aspects:

- Direction: In IST, banks start with defining a scenario and then assess its impact on their business, typically, in terms of earnings, capital and liquidity. RST starts with defining the outcome followed by reverse-engineering scenarios that, should they unfold, lead to the specified result.
- Severity: RST goes further into highly improbable scenarios compared to other risk measures since RST scenarios are particularly designed to be so severe that they could jeopardize the Parent Bank's viability.

Note 6 – Maturity Analysis of Assets and Liabilities

The tables below show the assets and liabilities analyzed according to when they are expected to be recovered or settled:

	Group					
	2024					
	Up to 3 months	Over 3 - 6 months	Over 6 months - 1 year	Over 1 - 5 years	Over 5 years	Total
Assets						
Cash and other cash items	5,078,336	0	0	0	0	5,078,336
Due from BSP	71,727,159	0	0	0	0	71,727,159
Due from other banks	11,872,317	68,635	202,382	0	0	12,143,334
Loans - net	49,156,001	54,531,293	27,718,296	184,492,767	211,240,212	527,138,569
Investment securities	18,762,537	28,822,144	38,208,243	140,503,961	73,793,062	300,089,947
Other assets	7,154,515	98,896	19,695	266,399	44,264,112	51,803,617
Total Assets	**163,750,865**	**83,520,968**	**66,148,616**	**325,263,127**	**329,297,386**	**967,980,962**
Liabilities						
Due to BSP/other banks	57	0	0	0	0	57
Deposits	578,152,494	146,032,585	20,670,680	18,966	0	744,874,725
Borrowings	4,132,501	6,721,268	13,132,573	11,506,851	43,073,039	78,566,232
Other liabilities	24,249,400	3,461,345	2,757,301	17,252,849	265,865	47,986,760
Total Liabilities	**606,534,452**	**156,215,198**	**36,560,554**	**28,778,666**	**43,338,904**	**871,427,774**
Asset-liability gap	**(442,783,587)**	**(72,694,230)**	**29,588,062**	**296,484,461**	**285,958,482**	**96,553,188**

	Group					
	2023 As Restated					
	Up to 3 months	Over 3 - 6 months	Over 6 months - 1 year	Over 1 - 5 years	Over 5 years	Total
Assets						
Cash and other cash items	5,999,316	0	0	0	0	5,999,316
Due from BSP	76,109,867	0	0	0	0	76,109,867
Due from other banks	10,021,869	57,591	151,936	0	0	10,231,396
Loans - net	75,288,035	72,607,969	16,771,724	161,284,586	213,439,621	539,391,935
Investment securities	17,485,850	25,755,733	29,561,064	146,664,939	88,296,503	307,764,089
Other assets	5,958,533	67,142	496	187,676	41,429,887	47,643,734
Total Assets	**190,863,470**	**98,488,435**	**46,485,220**	**308,137,201**	**343,166,011**	**987,140,337**
Liabilities						
Deposits	583,050,589	158,444,999	33,823,423	30,337	0	775,349,348
Borrowings	1,918,632	9,899,193	26,384,548	4,697,223	45,928,757	88,828,353
Other liabilities	16,658,433	5,662,887	4,873,766	6,900,039	1,631,494	35,726,619
Total Liabilities	**601,627,654**	**174,007,079**	**65,081,737**	**11,627,599**	**47,560,251**	**899,904,320**
Asset-liability gap	**(410,764,184)**	**(75,518,644)**	**(18,596,517)**	**296,509,602**	**295,605,760**	**87,236,017**

	Parent					
	2024					
	Up to 3 months	Over 3 - 6 months	Over 6 months - 1 year	Over 1 - 5 years	Over 5 years	Total
Assets						
Cash and other cash items	5,057,045	0	0	0	0	5,057,045
Due from BSP	71,056,847	0	0	0	0	71,056,847
Due from other banks	11,910,070	0	202,382	0	0	12,112,452
Loans - net	48,549,586	54,438,738	27,468,360	182,817,757	211,214,004	524,488,445
Investment securities	18,749,623	28,744,505	38,208,243	140,464,234	73,768,899	299,935,504
Other assets	7,276,883	96,894	18,897	137,351	44,184,177	51,714,202
Total Assets	**162,600,054**	**83,280,137**	**65,897,882**	**323,419,342**	**329,167,080**	**964,364,495**
Liabilities						
Due to BSP/other banks	57	0	0	0	0	57
Deposits	577,728,327	145,967,142	20,670,680	18,966	0	744,385,115
Borrowings	3,874,070	6,566,695	13,032,573	11,235,895	43,073,039	77,782,272
Other liabilities	23,412,041	3,452,664	2,640,147	16,438,309	265,618	46,208,779
Total Liabilities	**605,014,495**	**155,986,501**	**36,343,400**	**27,693,170**	**43,338,657**	**868,376,223**
Asset-liability gap	**(442,414,441)**	**(72,706,364)**	**29,554,482**	**295,726,172**	**285,828,423**	**95,988,272**

	Parent					
	2023 As Restated					
	Up to 3 months	Over 3 - 6 months	Over 6 months - 1 year	Over 1 - 5 years	Over 5 years	Total
Assets						
Cash and other cash items	5,980,293	0	0	0	0	5,980,293
Due from BSP	75,774,099	0	0	0	0	75,774,099
Due from other banks	10,075,932	0	151,936	0	0	10,227,868
Loans - net	74,435,852	72,503,304	16,569,682	159,536,897	213,314,343	536,360,078
Investment securities	17,397,178	25,755,733	29,561,064	146,611,215	88,282,277	307,607,467
Other assets	6,643,171	65,106	80	21,831	41,354,112	48,084,300
Total Assets	**190,306,525**	**98,324,143**	**46,282,762**	**306,169,943**	**342,950,732**	**984,034,105**

Liabilities						
Deposits	582,640,748	158,392,525	33,823,423	30,337	0	774,887,033
Borrowings	1,513,907	9,724,193	26,334,548	4,407,725	45,928,757	87,909,130
Other liabilities	16,131,146	5,662,346	4,866,774	6,174,589	1,580,871	34,415,726
Total Liabilities	**600,285,801**	**173,779,064**	**65,024,745**	**10,612,651**	**47,509,628**	**897,211,889**
Asset-liability gap	**(409,979,276)**	**(75,454,921)**	**(18,741,983)**	**295,557,292**	**295,441,104**	**86,822,216**

Note 7 – Cash and Cash Equivalents

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Cash and other cash items	5,078,336	5,999,316	5,057,045	5,980,293
Due from Bangko Sentral ng Pilipinas* (Note 8)	71,713,248	76,107,671	71,043,465	75,771,993
Due from other banks (Note 9)	12,140,952	10,229,460	12,110,070	10,225,932
Interbank loans receivable* (Note 10)	16,196,600	10,243,450	16,196,600	10,243,450
Securities purchased under agreement to resell* (Note 11)	4,760,599	42,894,832	4,760,599	42,794,980
	109,889,735	145,474,729	109,167,779	145,016,648
Allowance for impairment and credit losses	(673)	(0)	(673)	(0)
	109,889,062	**145,474,729**	**109,167,106**	**145,016,648**

*Exclusive of accrued interest receivable as follows:

	Group		Parent	
	2024	2023	2024	2023
Due from Bangko Sentral ng Pilipinas (Note 8)	13,911	2,196	13,382	2,106
Due from other banks (Note 9)	3,055	1,936	3,055	1,936
Interbank loans receivable (Note 10)	8,127	3,522	8,127	3,522
Securities purchased under agreement to resell (Note 11)	11,050	12,190	11,050	12,154
	36,143	**19,844**	**35,614**	**19,718**

Cash and other cash items include cash on hand and checks and other cash items.

Cash on hand refers to the total amount of cash in the Parent Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATM) and the like. This also includes cash under the custody of Service Provider as this remains the accountability of the Parent Bank.

Checks and other cash items refers to the total amount of checks and other cash items received after the selected clearing cut-off time until the close of the regular banking hours.

Due from other banks includes short-term investments/placements of subsidiaries in the Group's Trust Services with maturity of three months or less from the date of acquisition.

The undrawn borrowing facilities of the Parent Bank that may be available for future operating activities and to settle capital commitments as of December 31, 2024 is nil.

Interbank Loans Receivable (IBLR) represents the Group's placements with the BSP and various counterparty banks with maturities of three months or less from the date of acquisition.

The outstanding balance of Securities Purchased Under Agreement to Resell (SPUAR) under the Regular Banking Unit represents the Group's overnight placements with the BSP and various counterparty banks where the underlying securities cannot be sold or re-pledged.

Note 8 - Due from Bangko Sentral ng Pilipinas

This account represents the Group's demand and time deposits in local and foreign currencies maintained with BSP to meet reserve requirements and to serve as clearing account for interbank claims consistent with BSP guidelines. DBP, as a government financial institution (GFI), maintains BSP as its major depository.

	Group		Parent	
	2024	2023	2024	2023
Demand Deposit	47,920,248	67,940,671	47,855,465	67,874,993
Overnight Deposit	21,793,000	8,167,000	21,188,000	7,897,000
Term Deposit	2,000,000	0	2,000,000	0
	71,713,248	76,107,671	71,043,465	75,771,993
Accrued interest receivable	13,911	2,196	13,382	2,106
	71,727,159	**76,109,867**	**71,056,847**	**75,774,099**

Note 9 - Due from Other Banks

This account consists of the Group's balances of funds on deposit with the following banks:

	Group		Parent	
	2024	2023	2024	2023
Deposit with Foreign Banks	6,956,560	5,924,748	6,956,560	5,924,748
Deposit with Local Banks	5,184,392	4,304,712	5,153,510	4,301,184
	12,140,952	10,229,460	12,110,070	10,225,932
Allowance for Credit Losses	(673)	(0)	(673)	(0)
	12,140,279	10,229,460	12,109,397	10,225,932
Accrued interest receivable	3,055	1,936	3,055	1,936
	12,143,334	**10,231,396**	**12,112,452**	**10,227,868**

As of December 31, 2024, the Parent Bank maintained 25 NOSTRO accounts, 19 in RBU books and 6 in FCDU books. NOSTRO accounts are used to settle transactions in currencies other than the Parent Bank's local currency for the purpose of clearing and settling payments.

Note 10 – Interbank Loans Receivable

This account consists of loans and placements granted to the following banks:

	Group		Parent	
	2024	2023	2024	2023
Domestic	0	0	0	0
Foreign	16,196,600	10,243,450	16,196,600	10,243,450
	16,196,600	10,243,450	16,196,600	10,243,450
Accrued interest receivable	8,127	3,522	8,127	3,522
	16,204,727	**10,246,972**	**16,204,727**	**10,246,972**

Interbank loans receivable of the Group carry interest rates at December 31 as follows:

	2024	2023
Domestic	0.000%	0.000%
Foreign	4.200% to 4.540%	5.180% to 5.700%

Note 11 – Securities Purchased Under Agreement to Resell (SPUAR)

This account consists of transactions with:

	Group		Parent	
	2024	2023	2024	2023
BSP	0	42,598,834	0	42,498,982
Other banks	4,760,599	295,998	4,760,599	295,998
	4,760,599	42,894,832	4,760,599	42,794,980
Accrued interest receivable	11,050	12,190	11,050	12,154
	4,771,649	**42,907,022**	**4,771,649**	**42,807,134**

The SPUAR of the Group carry interest rates at December 31 as follows:

	2024	2023
BSP	0.000%	6.388%
Other banks	4.400%	5.390%

Note 12 – Financial Assets at Fair Value Through Profit or Loss (FVTPL)

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Debt Securities Purchased				
Government	5,754,849	1,436,316	5,754,849	1,436,316
Private	1,400,291	1,110,474	1,400,291	1,110,474
	7,155,140	2,546,790	7,155,140	2,546,790

Equity Securities Purchased				
Private	30,156	113,545	30,156	113,545
	7,185,296	2,660,335	7,185,296	2,660,335
Accrued interest receivable	350	3,691	350	3,691
	7,185,646	**2,664,026**	**7,185,646**	**2,664,026**

The movement of this account is summarized as follows:

	Group	Parent
At December 31, 2023, as restated	2,664,026	2,664,026
Additions	234,118,944	234,118,944
Disposals	(216,653,819)	(216,653,819)
Fair value adjustments	(13,053,745)	(13,053,745)
Exchange differences	113,582	113,582
Net change in accrued interest receivable	(3,342)	(3,342)
At December 31, 2024	**7,185,646**	**7,185,646**

The FVTPL of the Group carry interest rates at December 31 as follows:

	2024	2023
Peso denominated	5.750% to 8.008%	2.625% to 6.250%
Foreign currency denominated	0.000%	0.000%

Note 13 – Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Debt securities:				
Government				
Treasury Notes	17,637,138	8,352,586	17,637,138	8,352,586
Retail Treasury Bonds	14,521,689	10,412,668	14,521,689	10,412,668
Treasury Bonds - ROP	3,650,758	4,803,965	3,650,758	4,803,965
Treasury Bonds - US	16,229,649	9,781,171	16,229,649	9,781,171
Treasury Bills - USD	4,898,484	0	4,898,484	0
Other Gov't Guaranteed Securities	2,408,072	3,960,291	2,408,072	3,960,291
	59,345,790	37,310,681	59,345,790	37,310,681
Private-Quoted	6,844,914	3,822,131	6,844,914	3,822,131
	66,190,704	**41,132,812**	**66,190,704**	**41,132,812**
Equity securities:				
Government	180,576	180,576	180,576	180,576
Private- Quoted	201,272	175,755	170,280	140,597
Private- Unquoted	102,094	359,139	102,065	359,111
	483,942	715,470	452,921	680,284
Accrued interest receivable	617,956	359,228	617,956	359,228
	67,292,602	**42,207,510**	**67,261,581**	**42,172,324**

The movement in FVOCI is summarized as follows:

	Group	Parent
At December 31, 2023	42,207,510	42,172,324
Additions	182,108,405	182,108,405
Disposals	(99,827,867)	(99,827,867)
Fair value adjustments	(58,739,603)	(58,735,438)
Exchange differences	1,285,429	1,285,429
Net change in accrued interest receivable	258,728	258,728
At December 31, 2024	**67,292,602**	**67,261,581**

The financial assets at FVOCI of the Group carry interest rates at December 31 as follows:

	2024	2023
Peso denominated	2.625% to 8.000%	2.375% to 13.750%
Foreign currency denominated	0.500% to 10.625%	0.500% to 10.625%

The Group's financial assets at FVOCI are carried at inclusive/net of accumulated unrealized loss of Php 532 million and Php 1,484 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, the net fair value of unquoted MRTC securities is Php 22.11 million, net of accumulated market losses of Php 57.29 million; and the outstanding number of PAL Holdings Inc. shares remain at 4.473 million at Php 0.45 par value per share with fair value of Php 22.140 million or Php 4.95 per share.

13.1 Fair Value Measurement of Proprietary Golf Shares

The FVOCI equity securities were inclusive of proprietary shares held by the Parent Bank in eight (8) Golf and Country Club companies, which were reclassified from Miscellaneous Assets-Other Investments to FVOCI in CY 2022. As of December 31, 2024, the net fair value of FVOCI Golf Shares is Php 148.140 million net of accumulated market gain of Php 102.475 million.

A proprietary club share entitles the shareholder to a residual interest in the net assets upon liquidation, which justifies that such instrument is an equity instrument.

The following are the breakdown of proprietary golf shares as of December 31, 2024:

	Amount	Accumulated Market Gains/(Losses)	Fair Value
Baguio Country Club Corp	1,400	4,600	6,000
Canlubang Golf & Country Club (2 shares)	7,000	7,000	14,000
The Manila Southwoods Golf & Country Club, Inc. (Class A)	3,100	2,700	5,800
The Manila Southwoods Golf & Country Club, Inc. (Class B)	744	5,256	6,000
Mount Malarayat Golf and Country Club, Inc. (Class C)	2,401	99	2,500
Pueblo de Oro Golf & Country Club (2 shares)	800	700	1,500
Iloilo Golf & Country Club, Inc. (2 shares)	220	120	340
Sta Elena Golf Club, Inc. (Class A)	5,000	22,000	27,000
Wack Wack Golf and Country Club, Inc.	25,000	60,000	85,000
	45,665	**102,475**	**148,140**

13.2 Fair Value Measurement of Investment in Non-Marketable Equity Securities (INMES)

The Parent Bank has designated its equity investments as investment in non-marketable equity securities (INMES) as FVOCI on the basis that these are not held for trading and are held only for strategic purposes.

The following are the breakdown of INMES accounts as of December 31, 2024:

	Amount	Accumulated Market Gains/(Losses)	Fair Value	Dividends
Government				
Small Business Guarantee Fund Corporation	200,000	(21,163)	178,837	0
Philippine International Trading Corporation	1,000	740	1,740	0
Private				
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.)	2,324	0	2.324	0
Philippine Dealings System Holding Corporation	19,278	2,367	21,645	9,253
Philippine Clearing House	7,200	22,361	29,561	0
BancNet Incorporated	16,073	15,049	31,122	0
La Union Development Bank	900	598	1,498	0
Lipa City Development Bank	2,038	5,318	7,356	0
Luzon Development Bank	55	6	61	0
Marawi Resort Hotel Inc.	550	0	550	0
	249,418	**25,276**	**274,694**	**9,253**

In CY 2024, the investment in S.W.I.F.T. amounting to Php 2.324 million has been recognized as an INMES and is yet to be valuated for any change in fair value.

The net fair value of the ten (10) INMES accounts is Php 274.694 million net of accumulated market gain of Php 25.276 million.

Note 14 – Financial Assets at Amortized Cost – Held to Collect (AC-HTC)

This account consists of debt securities at amortized cost:

	Group		Parent	
	2024	2023	2024	2023
Domestic				
Government				
Treasury bills and notes	92,105,120	108,711,583	91,981,954	108,590,382
BSP bills	6,799,371	13,660,058	6,799,371	13,660,058
Retail treasury bonds	42,843,068	49,490,126	42,843,068	49,490,126
Treasury Bonds- ROP	15,655,676	17,145,830	15,655,676	17,145,830
ROP-GPN	314,092	316,835	314,092	316,835
PSALM	40,520	1,001,746	40,520	1,001,746
Land Bank Bonds	10,093	11,295	10,093	11,295
Private	24,097,612	32,198,569	24,097,612	32,198,569
	181,865,552	222,536,042	181,742,386	222,414,841
Foreign	41,933,388	38,255,806	41,933,388	38,255,806
	223,798,940	260,791,848	223,675,774	260,670,647
Accrued interest receivable	2,236,029	2,466,772	2,235,773	2,466,537
Allowance for Impairment Losses (Note 21)	(423,270)	(366,067)	(423,270)	(366,067)
	225,611,699	**262,892,553**	**225,488,277**	**262,771,117**

Government securities with fair value of Php 838 million were deposited with BSP as security for trust duties (see Note 42).

The movement of this account is summarized as follows:

	Group	Parent
At December 31, 2023	262,892,553	262,771,117
Additions	245,191,472	245,101,175
Disposals	(176,034,112)	(175,945,675)
(Amortization)/accretion of premium/discount	(106,722,340)	(106,722,340)
Exchange differences	572,072	571,967
Net change in accrued interest receivable	(230,743)	(230,764)
Net change in allowance for impairment losses	(57,203)	(57,203)
At December 31, 2024	**225,611,699**	**225,488,277**

The Group's financial assets at amortized cost carry interest rates at December 31 as follows:

	2024	2023
Peso denominated	2.625% to 12.500%	2.375% to 13.750%
Foreign currency denominated	0.500% to 10.625%	0.250% to 10.625%

Note 15 – Amortized Cost – Loans and Receivables

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Loans and discounts	539,666,759	512,322,253	536,787,947	509,192,604
Accounts receivable (AR) - advances on loans	50,264	55,192	50,264	55,192
Sales contract receivables (SCR)	229,421	360,423	9,896	9,901
	539,946,444	512,737,868	536,848,107	509,257,697
Accrued interest receivable	4,745,720	4,355,314	4,739,833	4,349,427
	544,692,164	517,093,182	541,587,940	513,607,124
Discount (SCR)	(163)	(163)	(163)	(163)
Allowance for impairment and credit losses (Note 21)	(38,529,808)	(30,855,078)	(38,075,708)	(30,300,989)
	506,162,193	**486,237,941**	**503,512,069**	**483,305,972**

The Parent Bank's total loans classified as to type of interest rate as of December 31. 2024 and 2023 are Php 363,868 million and Php 315,357 million (variable interest rates) and Php 172,920 million and Php 193,836 million (fixed interest rates), respectively. Majority of Loans and other receivables in the Parent Bank's financial statements bear annual interest rates of 10 per cent or less both in 2024 and 2023.

The movement in amortized cost - loans and receivables is summarized as follows:

	Group	Parent
At December 31, 2023	486,237,941	483,305,972
Releases	284,046,236	283,861,550
Collections	(262,383,391)	(261,737,575)
Adjustments	5,681,661	5,471,368
Net change in Sales Contract Receivable	(131,002)	(5)
Net change in Advances on Loans & Investments	(4,928)	(4,928)
Net change in Accrued Interest Receivable	390,406	390,406
Net change in Allowance for Impairment Losses	(7,674,730)	(7,774,719)
At December 31, 2024	**506,162,193**	**503,512,069**

15.1 Finance Lease Receivable (Subsidiary only)

The Group's Loans and Discounts include finance lease receivable. The details of the Group's finance lease receivable as of December 31, 2024 are as follows:

Total future minimum lease payments	758,950
Unearned finance income	(100,634)
Present value of future minimum lease payments	**658,316**

Maturity of future minimum lease payments as of December 31, 2024 follows:

	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Finance lease receivable	226,133	532,817	0	758,950
Unearned finance income	(10,277)	(90,357)	0	(100,634)
Total	**215,856**	**442,460**	**0**	**658,316**

15.2 Non-Performing Loans

Non-performing loans included in the total loan portfolio, both net of Capitalized Interest and Other Charges (CIOC), of the Group and the Parent Bank as of December 31, 2024 and 2023 are presented below as net of specific allowance for impairment in compliance with BSP Circular 772:

	Group		Parent	
	2024	2023	2024	2023
Non-Performing Loans (NPL)				
Gross NPL	43,648,081	41,526,379	42,679,892	40,299,373
Less: Allowance for impairment loss	(23,378,861)	(20,428,574)	(23,030,784)	(19,958,784)
Net NPL	**20,269,220**	**21,097,805**	**19,649,108**	**20,340,589**
NPL Rates				
Gross NPL	**7.81%**	**7.37%**	**7.68%**	**7.19%**
Net NPL	**3.63%**	**3.74%**	**3.53%**	**3.63%**

15.3 Wholesale Lending Portfolio

The wholesale lending portfolio of the Parent Bank represents 2 per cent and 3 per cent of its total loan portfolio as of December 31, 2024 and 2023, respectively. These loans pertain to the conduit lending granted to various accredited financial institutions as funding for MSME enterprises, salary-based consumption, Agri-Agra and developmental projects. The risks associated to the loans are mostly secured by a Deed of Assignment over the underlying credit receivables.

15.4 Loans as to Industry/Economic Sector

	Group		Parent	
	Total Loan Portfolio	Tier 1 Capital	Total Loan Portfolio	Tier 1 Capital
Electricity, Gas and Water	30.36%	196.53%	30.52%	198.60%
Wholesale & Retail Trade	2.93%	18.98%	2.89%	18.79%
Construction	9.96%	64.48%	9.95%	64.74%
Real Estate Activities	8.04%	52.07%	8.09%	52.61%
Public Administration	16.43%	106.34%	16.51%	107.43%

	Group		Parent	
	Total Loan Portfolio	Tier 1 Capital	Total Loan Portfolio	Tier 1 Capital
Financial and Insurance Activities	6.48%	41.96%	6.52%	42.40%
Information and Communication	2.91%	18.83%	2.92%	19.02%
Manufacturing	7.49%	48.51%	7.43%	48.36%
Transportation and Storage	4.56%	29.53%	4.33%	28.14%
Human Health and Social Work	4.37%	28.28%	4.39%	28.58%
Agriculture, Forestry and Fishing	3.55%	23.00%	3.57%	23.23%
Activities of Household as Employers	1.30%	8.39%	1.30%	8.47%
Education	0.90%	5.85%	0.90%	5.87%
Others	0.72%	4.63%	0.68%	4.44%

Significant credit exposure exceeds 30 per cent of the total loan portfolio or 10 per cent of Tier 1 capital as to industry/economic sector.

15.5 BSP Circular 1074 – Loans as to Security

The Parent Bank's classification of loans as to security exclusive of AR - advances on loans, SCR and AIR is as follows:

Collateral Type	2024		2023	
Secured Loans:				
Secured by Specified Rights	252,013		7,330,663	
Real Estate	63,289,582		70,314,421	
Machinery & Equipment	16,462,653		15,745,005	
Deposit/Deposit Substitutes	5,725,270		5,640,000	
Inventories	10,017		27,730	
Banks or Non-Bank Fin. Inst. Guarantee/Stand-by	52,234		29,593,354	
Government Bonds	112,219,545		50,843,700	
Unclassified Collateral	9,334,197		2,855,269	
Total Secured Loans	207,345,511	39%	182,350,142	36%
Unsecured Loans:				
Deposit/Deposit Substitutes	0		36,000	
Unclassified Collateral	329,442,436		326,806,462	
Total Unsecured Loans	329,442,436	61%	326,842,462	64%
Total Gross Loan Portfolio	**536,787,947**	**100%**	**509,192,604**	**100%**

15.6 BSP Circular 1074 – Loans as to Status Per Product Line

The Parent Bank's classification of 2024 gross loan portfolio, before capitalized interest and other charges, as to general product line is presented below:

	Performing	Non-Performing	Total
Retail			
Loans to GOCC	109,248,002	176	109,248,178
Loans to Individuals	6,428,258	564,220	6,992,478
Loans to LGU/NG	88,649,963	9,755	88,659,718
Loans to Private Corporation	245,267,115	32,507,120	277,774,235
Agrarian Reform & Other Agri Loans	14,579,525	2,958,299	17,537,824
Interbank Loans Receivable	8,000,000	0	8,000,000
Microfinance Loans	572,441	502,953	1,075,394
SME Loans - Medium Scale Enterprise	8,982,814	6,152,382	15,135,196
SME Loans - Small Scale Enterprise	2,147,171	1,516,502	3,663,673
Total	**483,875,289**	**44,211,407**	**528,086,696**
Wholesale			
Interbank Term Loan Receivable	4,959,681	0	4,959,681
Loans to Private Corporation	3,725,319	16,251	3,741,570
Total	**8,685,000**	**16,251**	**8,701,251**
Total Gross Loan Portfolio	**492,560,289**	**44,227,658**	**536,787,947**

Note 16 – Bank Premises, Furniture, Fixtures and Equipment

This account represents the book value of the following assets:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Land	728,749	728,749	728,749	728,749
Construction in Progress	139,662	110,554	139,662	110,554
Building	667,157	688,454	665,659	686,888
Leasehold improvements	147,607	146,491	146,379	145,173
Computer Equipment	377,995	298,837	375,294	295,435
Office equipment, furniture and fixtures	228,547	268,051	227,161	265,935
Transportation equipment	118,053	151,213	117,294	150,325
Total	**2,407,770**	**2,392,349**	**2,400,198**	**2,383,059**

The appraised value of the Parent Bank's Bank Premises, Furniture, Fixtures and Equipment amounted to Php 14.725 billion in 2024.

Details are as follows:

	Group							
	Land	Construction in Progress	Building	Leasehold Improvements	Computer Equipment	Office Equipment, Furnitures and Fixtures	Transportation Equipment	TOTAL
At December 31, 2023								
Cost	728,749	110,554	1,562,167	584,901	1,347,479	956,153	487,192	5,777,195
Accumulated depreciation	0	0	(867,359)	(438,410)	(1,048,642)	(688,102)	(335,979)	(3,378,492)
Allow for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,749**	**110,554**	**688,454**	**146,491**	**298,837**	**268,051**	**151,213**	**2,392,349**
CY 2024 transactions								
Additions	0	67,640	6,079	36,532	168,082	30,569	1,857	310,759
Disposals – cost	0	0	0	0	(9,355)	(7,722)	(4,632)	(21,709)
Disposals – accumulated depreciation	0	0	0	0	0	388	0	388
Depreciation/Amortization	0	0	(36,823)	(41,223)	(99,028)	(68,634)	(31,022)	(276,730)
Adjustments - cost	0	(38,532)	245	9,188	(25,743)	(17,060)	(32,344)	(104,246)
Adjustments - accumulated depreciation	0	0	9,202	(3,381)	45,202	22,955	32,981	106,959
	0	**29,108**	**(21,297)**	**1,116**	**79,158**	**(39,504)**	**(33,160)**	**15,421**
Total	**728,749**	**139,662**	**667,157**	**147,607**	**377,995**	**228,547**	**118,053**	**2,407,770**
At December 31, 2024								
Cost	728,749	139,662	1,568,491	630,621	1,480,463	961,940	452,073	5,961,999
Accumulated depreciation	0	0	(894,980)	(483,014)	(1,102,468)	(733,393)	(334,020)	(3,547,875)
Allow for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,749**	**139,662**	**667,157**	**147,607**	**377,995**	**228,547**	**118,053**	**2,407,770**

	Parent							
	Land	Construction in Progress	Building	Leasehold Improvements	Computer Equipment	Office Equipment, Furnitures and Fixtures	Transportation Equipment	TOTAL
At December 31, 2023								
Cost	728,749	110,554	1,560,067	566,574	1,336,493	943,026	480,963	5,726,426
Accumulated depreciation	0	0	(866,825)	(421,401)	(1,041,058)	(677,091)	(330,638)	(3,337,013)
Allow for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,749**	**110,554**	**686,888**	**145,173**	**295,435**	**265,935**	**150,325**	**2,383,059**
CY 2024 transactions								
Additions	0	67,640	6,079	35,964	167,723	30,146	1,857	309,409
Disposals – cost	0	0	0	0	(9,355)	(7,290)	(4,632)	(21,277)
Disposals – accumulated depreciation	0	0	0	0	0	0	0	0
Depreciation/Amortization	0	0	(36,755)	(40,565)	(97,968)	(67,543)	(30,893)	(273,724)
Adjustments - cost	0	(38,532)	245	9,188	(25,743)	(16,930)	(32,344)	(104,116)
Adjustments - accumulated depreciation	0	0	9,202	(3,381)	45,202	22,843	32,981	106,847
	0	**29,108**	**(21,229)**	**1,206**	**79,859**	**(38,774)**	**(33,031)**	**17,139**
Total	**728,749**	**139,662**	**665,659**	**146,379**	**375,294**	**227,161**	**117,294**	**2,400,198**
At December 31, 2024								
Cost	728,749	139,662	1,566,391	611,726	1,469,118	948,952	445,844	5,910,442
Accumulated depreciation	0	0	(894,378)	(465,347)	(1,093,824)	(721,791)	(328,550)	(3,503,890)
Allow for probable losses - impairment	0	0	(6,354)	0	0	0	0	(6,354)
Net book amount	**728,749**	**139,662**	**665,659**	**146,379**	**375,294**	**227,161**	**117,294**	**2,400,198**

The Parent Bank's impairment loss amounting to Php 6.354 million pertains to the DBP Storage Center located in Antipolo City. The Parent Bank does not maintain temporary idle equipment, furniture and fixtures (FFE). Unserviceable FFE are reclassified to Miscellaneous Assets - Unserviceable Property for disposal.

Note 17 – Right-of-Use (ROU) Assets

This account represents the book value of the following right-of-use assets:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Buildings	463,668	414,588	457,483	404,224
Transportation equipment	378,695	244,829	378,695	244,829
Total	**842,363**	**659,417**	**836,178**	**649,053**

Details are as follows:

	Group		
	Buildings	Transportation Equipment	Total
At December 31, 2023			
Cost	702,469	587,377	1,289,846
Depreciation	(287,881)	(342,548)	(630,429)
Net Book Value	414,588	244,829	659,417
Cost - Additions	134,673	249,492	384,165
Cost - Adjustments	45,566	58,445	104,011
Cost - Contract Expiration	(82,936)	(321,588)	(404,524)
Depreciation / Amortization	(136,408)	(174,071)	(310,479)
Accumulated Depreciation - Adjustment	5,249	0	5,249
Accumulated Depreciation - Contract Expiration	82,936	321,588	404,524
	49,080	133,866	182,946
At December 31, 2024	**463,668**	**378,695**	**842,363**

	Parent		
	Buildings	Transportation Equipment	Total
At December 31, 2023			
Cost	665,467	587,377	1,252,844
Accumulated Depreciation	(261,243)	(342,548)	(603,791)
Net Book Value	404,224	244,829	649,053
Cost - Additions	133,130	249,492	382,622
Cost - Adjustments	50,814	58,445	109,259
Cost - Contract Expiration	(82,936)	(321,588)	(404,524)
Depreciation / Amortization	(130,685)	(174,071)	(304,756)
Accumulated Depreciation - Contract Expiration	82,936	321,588	404,524
	53,259	133,866	187,125
At December 31, 2024	**457,483**	**378,695**	**836,178**

The table below shows the summary of the Group's leasing activities by type of the right-of-use asset recognized in the statement of financial position:

Right-of-Use Asset	No. of Right-of-Used Leased (Per Contract)	Range of Remaining Terms (Years)	Average of Remaining Terms (Years)
Buildings	105	3 to 15	7
Transportation Equipment	11	1 to 2	2

Note 18 – Investment Property

The movement is summarized as follows:

	Group		Parent	
	2024	2023	2024	2023
Beginning Balance				
Cost	2,251,953	1,867,584	2,187,136	1,833,281
Accumulated Depreciation	(215,672)	(173,741)	(215,672)	(173,741)
Allowance for Impairment	(133,400)	(109,294)	(133,400)	(109,294)
Net book amount	**1,902,881**	**1,584,549**	**1,838,064**	**1,550,246**
Acquisition	131,870	579,092	131,870	548,578
Disposal				
Cost	(22,854)	(214,971)	(22,854)	(214,971)
Accumulated Depreciation	676	5,786	676	5,786
Allowance for Impairment	181	7,006	181	7,006
Reclass				
Cost	31,020	(22,267)	31,020	(22,267)
Accumulated Depreciation	0	5,727	0	5,727
Allowance for Impairment	(23,340)	57	(23,340)	57
Adjustments - Cost	0	42,515	0	42,515
Reversal/Set-up				
Accumulated Depreciation	(104,077)	(53,444)	(104,077)	(53,444)
Allowance for Impairment	16,261	(31,169)	16,261	(31,169)
Total	**1,932,618**	**1,902,881**	**1,867,801**	**1,838,064**
Ending Balance				
Cost	2,391,989	2,251,953	2,327,172	2,187,136
Accumulated Depreciation	(319,073)	(215,672)	(319,073)	(215,672)
Allowance for Impairment	(140,298)	(133,400)	(140,298)	(133,400)
Net book amount	**1,932,618**	**1,902,881**	**1,867,801**	**1,838,064**

Fair value of the account is estimated at Php 4.54 billion for the Parent Bank.

Note 19 – Equity Investment in Subsidiaries

This account consists of:

	Parent	
	2024	2023
Investments in subsidiaries		
Acquisition cost:		
Al-Amanah Islamic Investment Bank of the Philippines	1,267,000	1,267,000
DBP Leasing Corporation	1,132,000	1,132,000
DBP Management Corporation	37,500	37,500
DBP Data Center, Inc.	1,530	1,530
	2,438,030	2,438,030
Allowance for impairment (Note 21)	(1,483,792)	(1,488,099)
	954,238	**949,931**

Note 20 – Equity Investment in Associates and Joint Venture

This account consists of investments in share of stocks as follows:

	Group		Parent	
	2024	2023	2024	2023
Associates:				
Maharlika Investment Corporation (20.00% owned)	25,564,704	0	25,000,000	0
DBP Service Corporation (28.04% owned)	138,427	107,358	856	856
	25,703,131	107,358	25,000,856	856
Joint Venture:				
DBP Insurance Brokerage, Inc. (40.00% owned)	29,327	12,407	4,000	4,000
DBP Daiwa Securities (17.06% owned)	76,490	95,668	45,675	45,675
	105,817	108,075	49,675	49,675
	25,808,948	215,433	25,050,531	50,531
Allowance for impairment loss (Note 21)	(537,396)	0	(666)	0
	25,271,552	**215,433**	**25,049,865**	**50,531**

The investment of the Parent Bank's subsidiary, DBP Management Corporation, in DBP Daiwa Securities is accounted under the cost method in the Group's financial statements.

The following tables present financial information of associates and joint venture as of and for the years ended:

	2024			
	Statement of Financial Position		Statement of Profit/Loss	
	Total Assets	Total Liabilities	Gross Income	Net Income/ Loss
Maharlika Investment Corporation	127,244,135	668,139	2,772,441	2,679,011
DBP Daiwa Securities	2,185,775	1,695,161	3,724,941	67,901
DBP Service Corporation	191,527	118,561	63,034	15,031
DBP Insurance Brokerage, Inc.	274,921	8,411	12,514	(22,517)

	2023			
	Statement of Financial Position		Statement of Profit/Loss	
	Total Assets	Total Liabilities	Gross Income	Net Income/ Loss
Maharlika Investment Corporation	125,144,511	1,250,000	144,511	144,511
DBP Daiwa Securities	2,223,689	1,781,879	3,800,407	58,700
DBP Service Corporation	156,702	112,334	55,943	13,702
DBP Insurance Brokerage, Inc.	329,798	20,771	140,793	(71,597)

DBP Daiwa Securities

On September 20, 2023, the DBP Board of Directors (BOD) approved the Proposed Dissolution and Liquidation Plan of DBP-DAIWA and the authority of DBP President Michael O de Jesus to represent DBP and DBP MC.

Effective November 30, 2024, DBP Daiwa Securities was dissolved. The liquidation process will be completed by December 31, 2027.

Maharlika Investment Corporation (MIC)

The Republic Act No. 11954, known as the "Maharlika Investment Fund Act of 2023", which was signed into law last July 18, 2023, established the Philippine first sovereign wealth fund intended to stimulate the country's economic growth and social development.

Under the law, the National Government, the Development Bank of the Philippines (DBP), and Landbank of the Philippines are mandated to provide the initial capital of the Maharlika Investment Corporation (MIC). DBP's share of Php 25.0 billion in the initial capital of the MIC equivalent to 250 million common shares, was remitted to the Bureau of Treasury (BOT) in September 2023. The MIC investment was initially booked under Miscellaneous Assets - Others and reclassified to Equity Investment in Associate as of December 2024.

Note 21 - Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses follow:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Beginning balance	31,693,604	25,552,434	32,590,902	25,804,662
Provision for impairment and credit losses	7,578,086	6,237,523	7,140,397	6,882,593
Charges against reserves:				
Write-off	(19,797)	(33,099)	(19,797)	(33,099)
Sale of Acquired Assets	0	(223)	0	(223)
Revaluation	5,874	(1,908)	5,874	(1,908)
Other Transactions	713,398	(61,123)	717,995	(61,123)
Total Allowance for Impairment and Credit Losses	**39,971,165**	**31,693,604**	**40,435,371**	**32,590,902**

The Parent Bank's total provision for impairment as of December 31, 2024 and 2023 were inclusive of the provisions for contingent accounts and lawsuits, as follows:

	Parent	
	2024	2023
Impairment and credit losses	7,140,397	6,882,593
Contingent accounts	7,141	3,563
Lawsuits	0	171,373
Total Provision for Impairment	**7,147,538**	**7,057,529**

Details per account are as follows:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Due From Other Banks				
Beginning balance	0	0	0	0
Provision for/reversal of impairment and credit losses	673	0	673	0
Ending Balance	673	0	673	0
Financial assets at amortized cost (Held to collect)				
Beginning balance	366,067	197,250	366,067	197,250
Revaluation	3,364	(1,518)	3,364	(1,518)
Other Transactions	53,839	170,335	53,839	170,335
Ending Balance	423,270	366,067	423,270	366,067
Financial assets at amortized cost (Loans and receivable)				
Beginning balance	30,855,078	24,909,805	30,300,989	24,646,787
Provision for/reversal of impairment and credit losses	6,995,523	6,206,091	7,094,564	5,914,427
Charges against reserves:				
Write-off	(19,034)	(24,944)	(19,034)	(24,944)
Revaluation	2,509	(390)	2,509	(390)
Other Transactions	695,732	(235,484)	696,680	(234,891)
Ending Balance	38,529,808	30,855,078	38,075,708	30,300,989
Equity investments in subsidiary				
Beginning balance	0	0	1,488,099	550,177
Provision for/reversal of impairment and credit losses			0	937,922
Other Transactions	0	0	(4,307)	0
Ending Balance	0	0	1,483,792	1,488,099
Equity investments in associates & joint venture				
Beginning balance	0	0	0	0
Provision for/reversal of impairment and credit losses	537,396	0	666	0
Ending Balance	537,396	0	666	0
Non-current assets held for sale				
Beginning balance	54,798	48,392	54,798	48,392
Provision for/reversal of impairment and credit losses	11,313	21,225	11,313	21,225
Charges against reserves:				
Write-off	0	(11)	0	(11)
Other Transactions	(25,563)	(14,808)	(25,563)	(14,808)
Ending Balance	40,548	54,798	40,548	54,798
Investment Property				
Beginning balance	133,400	109,294	133,400	109,294
Provision for/reversal of impairment and credit losses	30,417	8,494	30,417	8,494
Charges against reserves:				
Write-off	0	(5,013)	0	(5,013)
Other Transactions	(23,519)	20,625	(23,519)	20,625
Ending Balance	140,298	133,400	140,298	133,400
Bank Premises, Furniture, Fixtures and Equipment				
Beginning balance	6,354	6,354	6,354	6,354
Ending Balance	6,354	6,354	6,354	6,354
Intangible Assets				
Beginning balance	4,000	4,000	4,000	4,000
Ending Balance	4,000	4,000	4,000	4,000
Other assets				
Beginning balance	273,907	277,339	237,195	242,408
Provision for/reversal of impairment and credit losses	2,764	1,713	2,764	525
Charges against reserves:				
Write-off	(763)	(3,131)	(763)	(3,131)
Sale of Acquired Assets	0	(223)	0	(223)
Revaluation	1	0	1	0
Other Transactions	12,909	(1,791)	20,865	(2,384)
Ending Balance	288,818	273,907	260,062	237,195
TOTAL ALLOWANCE	**39,971,165**	**31,693,604**	**40,435,371**	**32,590,902**

Note 22 – Deferred Tax Assets

Components of the deferred tax assets are as follows:

	Group		Parent	
	2024	2023	2024	2023
Deferred tax assets on:				
Allowance for impairment	10,071,888	8,102,513	9,959,717	7,965,972
Gratuity pay	576,816	25,657	576,816	25,657
Provision for lawsuit	85,262	87,474	85,262	87,474
Trading loss/(gain) revaluation	(18,516)	(6,315)	(18,516)	(6,315)
Unrealized foreign exchange loss/(gain) - net	(437,980)	(570,049)	(437,980)	(570,049)
Net deferred tax assets	**10,277,470**	**7,639,280**	**10,165,299**	**7,502,739**

Note 23 – Intangible Assets

It represents the book value of the following intangible assets:

	Group		Parent	
	2024	2023	2024	2023
Software	49,336	67,934	48,152	66,008
BSP License	118,800	122,000	118,800	122,000
Non-Proprietary shares	500	500	500	500
Total	**168,636**	**190,434**	**167,452**	**188,508**

Details are as follows:

	Group			
	Software	BSP License	Non-Proprietary Shares	Total
At January 1, 2024				
Cost	693,578	160,000	4,500	858,078
Accumulated Amortization	(625,644)	(38,000)	0	(663,644)
Allowance for Impairment	0	0	(4,000)	(4,000)
Net Book Amount	**67,934**	**122,000**	**500**	**190,434**
Additions/Disposal	17,694	0	0	17,694
Amortization	(36,292)	(3,200)	0	(39,492)
	(18,598)	(3,200)	0	(21,798)
Total	**49,336**	**118,800**	**500**	**168,636**
At December 31, 2024				
Cost	711,272	160,000	4,500	875,772
Accumulated Amortization	(661,936)	(41,200)	0	(703,136)
Allowance for Impairment	0	0	(4,000)	(4,000)
Net Book Amount	**49,336**	**118,800**	**500**	**168,636**

	Parent			
	Software	BSP License	Non-Proprietary Shares	Total
At January 1, 2024				
Cost	685,997	160,000	4,500	850,497
Accumulated Amortization	(619,989)	(38,000)	0	(657,989)
Allowance for Probable Loss	0	0	(4,000)	(4,000)
Net Book Amount	66,008	122,000	500	188,508
Additions/Disposal	17,694	0	0	17,694
Amortization	(35,550)	(3,200)	0	(38,750)
	(17,856)	(3,200)	0	(21,056)
Total	**48,152**	**118,800**	**500**	**167,452**
At December 31, 2024				
Cost	703,691	160,000	4,500	868,191
Accumulated Amortization	(655,539)	(41,200)	0	(696,739)
Allowance for Probable Loss	0	0	(4,000)	(4,000)
Net Book Amount	**48,152**	**118,800**	**500**	**167,452**

The Non-Proprietary Shares represent shares held by the Parent Bank in three (3) Golf & Country Club companies, which were reclassified from Miscellaneous Assets - Other Investments to Intangible Assets in CY 2022.

A non-proprietary club share, though an equity instrument in its legal form, is not an equity instrument in the context of PAS 32. Furthermore, it does not entitle the holder to a contractual right to receive cash or another financial asset from the issuing corporation. The holder of the share, in substance, only paid for the privilege to enjoy the club facilities and services but not for ownership of the club. Hence, the holder must account for the share as an intangible asset under PAS 38.

In CY 2024, the Parent Bank's adjustment on software cost and accumulated amortization pertains to the derecognition of fully amortized intangible assets, which are already not in use and have been replaced with an upgraded/newer version. As of December 31, 2024, The Parent Bank has 6 fully amortized intangible assets (software), which are still in use.

Note 24 - Other Assets

This account consists of:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Other Investments - Maharlika Investment Fund*	0	25,000,000	0	25,000,000
Accounts receivable	4,315,144	3,120,447	3,710,801	3,023,731
CWT/EWT/GRT	4,125,789	4,170,607	4,125,789	4,170,607
Dividends and interest receivable	886,065	768,967	886,065	768,967
Employee benefits	376,246	356,876	376,246	356,875
Prepaid expenses	369,116	346,725	359,179	345,410
ROPA	118,899	92,492	107,210	65,230
Inter-office float items	3,329	2,750	(8)	2,203
Miscellaneous assets	903,651	923,273	863,570	878,666
	11,098,239	34,782,137	10,428,852	34,611,689
Accumulated depreciation	(83,410)	(69,465)	(72,816)	(57,254)
Allowance for impairment	(288,818)	(273,907)	(260,062)	(237,195)
	10,726,011	**34,438,765**	**10,095,974**	**34,317,240**

Reclassified to Equity Investment in Associates

24.1 MRTC – Equity Rental Payments (ERPs)

In CY 2009, the National Government desired to take control of the MRT 3, hence, LBP and DBP were directed to acquire the economic interest in MRTC by way of buy out of the shares of Belsky Limited, a company organized in the British Virgin Islands and the registered owner of some of the MRT III Bonds, preference shares and unsecuritized shares of MRTC. Of the acquired unsecuritized shares, DBP holds indirectly 11.117 per cent interest of the equity of MRTC. From the documentation of the buy-out, the monthly rental fees being paid by the Department of Transportation (DOTr) to MRTC was called Equity Rental Payments (ERPs).

In CY 2022, the Commission on Audit (COA) recommended the change in the booking procedure of recognizing the ERPs from recording entirely as Dividend Income to recording a portion of ERPs as return of investment. The affected accounts are as follows:

1. *Dividends Receivable - MRTC*

This represents a portion of the monthly ERP as dividend income earned but not yet received. Dividend Receivable from FVOCI equity securities as of December 31, 2024 and 2023 amounted to Php 885.75 million and Php 768.65 million, respectively.

2. *Accounts Receivable - MRTC*

This represents a portion of the monthly ERP accrued as return of investment, but not yet received. Accounts Receivable from FVOCI equity securities as of December 31, 2024 and 2023 amounted to Php 2,771.81 million and Php 1,809.08 million, respectively.

The Parent Bank's MRTC Portfolio as of December 31 consists of: (In millions)

	2024		2023	
	USD	PHP	USD	PHP
Bonds - HTC	10.29	595.20	72.03	3,988.18
Shares - FVTPL/FVOCI				
Securitized	20.99	1,214.11	20.05	1,110.47
Unsecuritized	1.37	79.39	16.62	920.13
	22.36	1,293.50	36.67	2,030.60
	32.65	**1,888.70**	**108.70**	**6,018.78**

3. Bonds - MRTC

As of December 31, 2024, the Parent Bank's total outstanding investment in MRTC bonds amounted to USD 10.29 million or Php 595.20 million with face value of USD 632.86 million, as reflected in custodian bank, Clearstream (Cedel) and the total amounts received for the monthly payment of Tranche 3 Notes amounted to USD 622.57 million equivalent to Php 36.01 billion.

24.2 Miscellaneous Assets - Inventories

Stationery & supplies (SOS) and semi-expendable items (SEI) are recognized using the asset method of accounting. SOS are booked as "SOS On-Hand" and SEIs are booked as "SEI-On Hand". Both are reported under Miscellaneous Assets and recognized only as expense upon issuance to the end-users.

Note 25 – Deposit Liabilities

This account consists of:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Demand	299,792,044	279,035,691	299,670,666	278,889,312
Savings	298,823,339	372,411,772	298,452,106	372,090,837
Time	146,259,342	123,901,885	146,262,343	123,906,884
	744,874,725	**775,349,348**	**744,385,115**	**774,887,033**

The total liquidity and statutory reserves as reported to BSP of the Parent Bank as of December 31, 2024 and 2023 are as follows:

	PARENT			
	2024		2023	
	Rate	Amount	Rate	Amount
Statutory/Legal Reserves on Deposits				
Available Reserves		46,618,966		67,701,073
Required Reserves				
Deposit Liabilities	7%	45,899,942	9.5%	67,061,897
Bonds Payable	3%	708,750	3%	476,250
		46,608,692		67,538,147
Excess/(Deficiency)		**10,274**		**162,926**

The rates of required reserves against deposit and deposit substitute liabilities in local currency of banks were reduced to 7.00 per cent from 9.50 per cent effective reserve week October 25, 2024 per BSP Circular No. 1201 s. 2024.

Note 26 – Bills Payable

The Group and Parent Bank's bills payable consists of the following:

	Group		Parent	
	2024	2023	2024	2023
Official Development Assistance (ODA)	25,903,107	30,276,018	25,903,107	30,276,018
Non-ODA	11,850,323	26,175,849	11,066,363	25,256,626
	37,753,430	**56,451,867**	**36,969,470**	**55,532,644**

As to remaining maturity:

	Group		Parent	
	2024	2023	2024	2023
Domestic				
Within 1 year	520,335	631,963	7,331	6,491
Beyond 1 year	457,333	617,569	186,377	323,818
	977,668	1,249,532	193,708	330,309
Foreign				
- With FX risk cover				
Within 1 year	0	674,927	0	674,927
Beyond 1 year	25,903,107	29,601,091	25,903,107	29,601,091
	25,903,107	30,276,018	25,903,107	30,276,018
- Without FX risk cover				
Within 1 year	10,872,655	24,926,317	10,872,655	24,926,317
	36,775,762	**55,202,335**	**36,775,762**	**55,202,335**
	37,753,430	**56,451,867**	**36,969,470**	**55,532,644**

As to original term:

	Group		Parent	
	2024	2023	2024	2023
Domestic				
1 Year or Less	513,004	484,610	0	0
More than 1 Year to 5 Years	270,956	434,613	0	0
More than 5 Years	193,708	330,309	193,708	330,309
	977,668	1,249,532	193,708	330,309
Foreign				
- With FX risk cover				
More than 5 Years	25,903,107	30,276,018	25,903,107	30,276,018
- Without FX risk cover				
1 Year or Less	10,872,655	22,479,810	10,872,655	22,479,810
More than 5 Years	0	2,446,507	0	2,446,507
	10,872,655	24,926,317	10,872,655	24,926,317
	36,775,762	**55,202,335**	**36,775,762**	**55,202,335**
	37,753,430	**56,451,867**	**36,969,470**	**55,532,644**

The 2024 year-end balances of foreign borrowings were revalued using the month-end Philippine Dealing System (PDS) rate in accordance with the PAS 21. The total amount of Bills Payable resulting from Repurchase Agreement amounted to Php 10.78 billion with collateral securities under the Fair Value through Other Comprehensive Income and Debt Securities at Amortized Cost, which amounted to Php 6.17 billion and Php 2.05 billion, respectively.

The foreign currency denominated Bills Payable amounting to Php 25.90 billion and Php 30.28 billion in 2024 and 2023, respectively, were all subject to FX risk cover and guaranteed by the National Government. The foreign exchange revaluation gains for CY 2024 and 2023 amounted to Php 1,290 million and Php 2,206 million, respectively. The AR-NG FX Differential as of December 31, 2024, and 2023, totaled Php 94.45 million and Php 399.90 million, respectively.

Other information about bills payable as of December 31, 2024 are as follows:

	Bills Payable	
	Wholesale	Retail
a. Maturities		
Maximum		
Domestic		12 years
Foreign	40 years	40 years
Average		
Domestic		8.55 years
Foreign	40 years	36.29 years
b. Average Rate (Interest Rate to Funders)		
Domestic	0.00%	2.39%
Foreign	0.75%	0.98%
c. Balance		
Maximum month-end Balance	819,929	29,044,620
Average Monthly Balance	671,294	27,713,656

Note 27 – Bonds Payable

The Parent Bank's bonds payable consists of the following:

	Group		Parent	
	2024	2023	2024	2023
Senior Notes	17,306,420	16,559,476	17,306,420	16,559,476
ASEAN Sustainability Bonds	23,506,382	15,817,010	23,506,382	15,817,010
	40,812,802	**32,376,486**	**40,812,802**	**32,376,486**

The statutory/legal reserves on bonds payable amounts to Php 708.75M as of December 31, 2024 (see Note 25).

27.1 Senior Notes

On 11 March 2021, the Parent Bank issued USD 300.00 million notes (the "Senior Notes") with an annual coupon rate of 2.375 per cent due on 11 March 2031 as approved by the Monetary Board of the Bangko Sentral ng Pilipinas. The Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Parent Bank and are ranked pari passu among themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Parent Bank, save for such as may be referred by mandatory provisions of applicable law. Interest is payable semi - annual every March 11 and September 11. The Parent Bank may, at its option, redeem the Senior Notes in whole, but not in part, at their principal amount together with accrued but unpaid interest, in the event of certain tax changes. Further, upon the occurrence of a Change in Control of the Parent Bank (as defined in the Terms and Conditions of the Senior Notes), each noteholder shall have the right, at its option, to require DBP to repurchase all (but not only some) of its notes at a redemption price equal to 101 per cent of their principal amount plus accrued and unpaid interest, if any, to the date or repurchase.

27.2 ASEAN Sustainability Bonds and other issuances under the DBP Peso Bond Programme

The Parent Bank issued on December 13, 2024 a multi-tranche bond via private placement thru its fixed-rate series 6A bonds (the "Series 6A Bonds") in the amount of Php 3.756 billion with a coupon rate of 6.0503 per cent per annum, and fixed-rate series 6B bonds (the "Series 6B Bonds") in the amount of Php 7.244 billion with a coupon rate of 6.0503 per cent per annum, both series payable quarterly. The Series 6A Bonds has a tenor of one and a half year and will mature on June 13, 2026 while the Series 6B Bonds has a tenor of three years and will mature on December 13, 2027.

On February 12, 2024, the Parent Bank issued its fixed-rate series 5 bonds (the "Series 5 Bonds") via private placement in the amount of Php 8.750 billion with a coupon rate of 6.1020 per cent per annum payable quarterly, with a one and half tenor to mature on August 12, 2025.

On July 27, 2023, the Parent Bank issued its fixed-rate series 4 bonds (the "Series 4 Bonds") via private placement in the amount of Php 3.785 billion with a coupon rate of 6.4126 per cent per annum payable quarterly, with a one and a half year tenor to mature on January 27, 2025. This completed the issuance of the Parent Bank's original Php 55.0 billion bond program that was approved by the Monetary Board in 2019.

On April 13, 2022, the Parent Bank issued Php 12.0 billion fixed-rate series 3 bonds (the "Series 3 Bonds") via private placement with coupon rate of 4.05 per cent per annum payable quarterly. The Bond had a two-and-a-half-year tenor which matured on November 4, 2024.

All bond issuances under the Parent Bank constitute unconditional, unsecured, and unsubordinated obligations of the Parent Bank. Subsequently, it will, at all times, rank pari passu without any preference among themselves and at least equally with all other direct, unconditional, unsecured and unsubordinated Peso-denominated obligations of the Parent Bank other than obligations mandatorily preferred by law.

The Parent Bank may, at its option, redeem the Bonds in whole, but not in part, (having given not more than 60 nor less than 15 days' prior written notice to the Trustee) at par or 100 per cent face value plus accrued interest, in the event of certain tax changes.

Note 28 – Due to Bangko Sentral ng Pilipinas (BSP)/Other Banks

This refers to the estimated liability for the Parent Bank's share in the cost of maintaining the appropriate supervision and examination department of the BSP monthly set-up against current operations. Also included are items/transactions, which cannot be appropriately classified under any of the foregoing "Due to BSP" accounts. The Due to BSP account has minimal balance and nil in 2024 and 2023, respectively. On the other hand, the Due to Other Banks account has no outstanding balance as of year-end 2024 and 2023.

Note 29 – Manager's Checks and Demand Drafts Outstanding

This refers to the total amount of checks drawn by the Group upon itself payable to the payees named in the check.

Note 30 – Accrued Taxes, Interests and Expenses

These refer to the following estimated liabilities:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Interest	3,066,275	4,421,086	3,065,986	4,420,846
Income Tax	19,391	57,862	1,430	4,773
Other Taxes/Licenses	528,678	516,512	524,314	512,206
Salaries and Other Administrative Expense	3,791,846	3,856,654	3,550,804	3,514,584
	7,406,190	**8,852,114**	**7,142,534**	**8,452,409**

Note 31 - Deferred Credits and Other Liabilities

This account consists of:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Cash letters of credit	29,900,008	18,334,909	29,900,008	18,334,909
Accounts payable	3,293,914	3,520,523	2,796,348	3,488,983
Provisions Liability	2,326,364	406,534	2,317,969	394,385
Finance lease liability	855,696	670,048	849,280	659,287
Miscellaneous liability - Lawsuits	341,047	341,047	341,047	341,047
Unearned income/deferred credits	339,634	2,092,969	41,006	1,798,844
Withholding taxes payable	275,793	283,859	242,791	280,776
Due to Treasury of the Philippines	135,838	135,799	133,478	133,439
Other miscellaneous liabilities	2,905,710	895,178	2,238,625	339,186
	40,374,004	**26,680,866**	**38,860,552**	**25,770,856**

31.1 Cash Letters of Credit

This refers to import letters of credit issued by the Parent Bank, at the request of the applicant (importer client) in favor of the beneficiary. The 100 per cent of the LC amount is paid by the importer client in foreign currency or in Philippine Peso to the Parent Bank based on LC opening/ issuance date based on the foreign exchange rate purchased from the Parent Bank during LC opening/ issuance and fixed/locked in until negotiation.

The fixed exchange rate to be used at the time of LC opening/issuance is negotiated and agreed by both the respective Lending Center/BranchHead and the FX Trading Department's duly authorized trader/officer and is evidenced by the duly approved Cash LC Transaction Slip.

From December 31, 2023, the total amount of Php 18.33 billion increased to Php 29.90 billion as of December 31, 2024. The bulk pertains to LC issued by the Parent Bank for the account of various local government units and government agencies.

31.2 Details on Finance Lease Liability Account

The maturity details of the Parent Bank's Finance Lease Liability as of December 31, 2024 and its corresponding future interest expense follow:

	Parent			
	Not Later than one year	Later than one year but not Later than five years	Later than five years	Total
Lease Payments	1,097	648,615	199,568	849,280
Interest Expense	2	45,916	58,398	104,316
Total	**1,099**	**694,531**	**257,966**	**953,596**

31.3 Miscellaneous Liability - Lawsuits

The Parent Bank recognized provisions for lawsuits with court decisions that are final and executory and those with probability that the Parent Bank will be finally held liable for the claim of the plaintiff within one or two years from reporting date.

31.4 Other Miscellaneous Liabilities

Other miscellaneous liabilities primarily consist of the Php 1.97 billion DBP's share on the collection of non/under compliance with Agriculture, Fisheries and Rural Development (AFRD) financing under Republic Act No.11901 or "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022".

Note 32 – Capital Stock

Capital stock consists of the following:

	Parent	
	2024	2023
Common shares, Php 100 par value		
Authorized 350,000,000 shares		
Issued, paid and outstanding		
Number of shares	320,000,000	320,000,000
Amount	**P32,000,000**	**P32,000,000**

Note 33 – Retained Earnings Reserves

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Reserve for trust business	143,874	140,289	143,874	140,289
Reserve for contingencies	35,199	35,199	35,199	35,199
Other surplus reserves				
Loans - Japan Exim Special Facility	4,938	4,938	4,938	4,938
Fund - Japan Training & Technical Assistance	66,026	66,026	66,026	66,026
Expense - Japan Exim Special Facility	46	46	46	46
Appropriated General Reserves Fund for the proposed increase in capitalization - DBP MC	20,000	20,000	0	0
	91,010	91,010	71,010	71,010
	270,083	**266,498**	**250,083**	**246,498**

In accordance with BSP regulations, reserve for trust business represents accumulated appropriation of surplus computed based on 10 per cent of the yearly net income realized by the Parent Bank from its trust operations.

Reserve for contingencies includes Php 35.2 million set aside for possible losses on defalcation by and other unlawful acts of the Parent Bank's personnel or third parties.

33.1 Other Surplus Reserves

The Loans - Japan Eximbank Special Facility (JESF) fund is used for relending to private enterprises utilizing proceeds for the EXIM-Asean Japan Development Fund and trade and industry associations for eligible projects. The Expense - JESF refers to the administrative fee of ¾ per cent that is used to pay for all the expenses related to the implementation of the project.

Japan Training & Technical Assistance is used to fund for the training and technical assistance component under the Overseas Economic Cooperation Fund. The appropriated general reserves fund is set aside by the Parent Bank's subsidiary, DBP MC, for winding up of the business operation. In June 2022, the Parent Bank resolved to resume active operations of DBP MC. With this development, the appropriation may be reverted to the unappropriated retained earnings, subject to the approval of the DBP MC Board of Directors (BOD).

Note 34 – Accumulated Other Comprehensive Income (Loss)

This account consists of:

	Group		Parent	
	2024	2023	2024	2023
Net unrealized gain/(loss) on securities at FVOCI	(533,076)	(1,486,979)	(545,110)	(1,503,180)
Cumulative Foreign Currency Translation	237,729	203,287	237,729	203,287
Remeasurement of Net Defined Benefit Liability/(Asset)	3,728	1,750	0	0
	(291,619)	**(1,281,942)**	**(307,381)**	**(1,299,893)**

The movement of this account is summarized as follows:

	Group	Parent
Net unrealized gain/(loss) on securities at FVOCI		
At December 31, 2023	(1,486,979)	(1,503,180)
Net change in fair value of debt instrument at FVOCI	347,026	347,026
Net change in fair value of equity instrument at FVOCI	606,877	611,044
Net change in fair value during the year	953,903	958,070
At December 31, 2024	(533,076)	(545,110)
Cumulative Foreign Currency Translation		
At December 31, 2023	203,287	203,287
Translation Adjustments	34,442	34,442
At December 31, 2024	237,729	237,729
Remeasurement of Net Defined Benefit Liability/(Asset)		
At December 31, 2023	1,750	0
Translation Adjustments	1,978	0
At December 31, 2024	3,728	0
	(291,619)	**(307,381)**

Note 35 – Service Charges, Fees and Commission Income

The following table presents the service charges, fees and commission income details per reporting segment of the Parent Bank in compliance with PFRS 15 Revenue from Contracts with Customers:

As of December 31,2024	Parent 2024 Reportable Segments			
	Treasury and Corporate Finance	Development Lending	Total Non-Reportable Segments	Bankwide Financial Statements
Fees income earned from services that are provided over time:				
Payment Services	0	56	0	56
Various Service Charges	0	1,558,945	0	1,558,945
	0	1,559,001	0	1,559,001
Fees income earned from services that are provided at a point in time:				
Underwriting	99,925	0	0	99,925
Brokerage	31,011	0	0	31,011
Various Service Charges	25,752	112,668	15,488	153,908
	156,688	112,668	15,488	284,844
Total revenue from contracts with customers	**156,688**	**1,671,669**	**15,488**	**1,843,845**

As of December 31,2023	Parent 2023 Reportable Segments As Restated			
	Treasury and Corporate Finance	Development Lending	Total Non-Reportable Segments	Bankwide Financial Statements
Fees income earned from services that are provided over time:				
Payment Services	0	99	0	99
Various Service Charges	0	1,446,840	0	1,446,840
	0	1,446,939	0	1,446,939
Fees income earned from services that are provided at a point in time:				
Underwriting	17,535	0	0	17,535
Brokerage	25,190	0	0	25,190
Various Service Charges	13,288	87,127	12,052	112,467
	56,013	87,127	12,052	155,192
Total revenue from contracts with customers	**56,013**	**1,534,066**	**12,052**	**1,602,131**

The various service charges account is comprised of transaction fees, commitment fees, service fees, front-end fees, letters of credit fees, telegraphic transfer fees, and income on pass-on GRT.

Note 36 – Miscellaneous Income

This account consists of:

	2024		2023	
	2024	2023 As Restated	2024	2023 As Restated
Share in net income - equity investment	585,887	26,672	0	0
Additional interest and penalty charges (AIPC)	334,973	215,575	334,973	215,575
Rental/lease income	119,228	133,528	43,110	41,614
Income/(loss) - Trust	118,420	87,800	118,420	87,800
Recovery on charged-off assets	59,346	32,080	57,531	31,214
Gain/(loss) from sale/derecognition of non-financial assets	40,330	839,260	38,391	839,238
Income from assets acquired	302	0	0	0
Miscellaneous income/ (loss)	142,656	273,201	50,285	42,639
	1,401,142	**1,608,116**	**642,710**	**1,258,080**

Note 37 – Other Operating Expenses

This account consists of:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Insurance	1,600,590	1,663,280	1,595,691	1,658,602
Depreciation and amortization	739,868	665,657	726,681	648,987
Information technology	488,139	353,313	502,016	372,017
Fees and commission/ Supervision	439,006	505,936	438,584	505,635
Security, clerical, messengerial and janitorial	359,867	399,674	346,097	387,451
Utilities	329,845	366,834	321,836	360,089
Repairs and maintenance	146,636	86,364	145,388	85,261
Stationery and supplies used	98,535	62,562	96,483	60,708
Management and other professional fees	94,085	89,251	92,998	87,581
Fuel and lubricants/Traveling	87,039	79,377	79,980	74,674
Trainings	52,684	43,515	51,621	42,399
Interest Expense - Finance Lease Payment Payable	41,163	32,670	41,058	32,417
Representation and entertainment	13,130	12,479	10,609	10,021
Miscellaneous expense	334,669	391,513	332,803	389,187
	4,825,256	**4,752,425**	**4,781,845**	**4,715,029**

The Group's training expenses were reclassified from Compensation and Fringe Benefits to Other Operating Expenses.

Note 38 – Income and Other Taxes

Under Philippine tax laws, the Group is 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 gross receipts tax or GRT and documentary stamp taxes.

Income taxes include corporate income tax and final taxes paid at the rate of 20 per cent, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as Provision for income tax in the statements of profit or loss.

On March 26, 2021, President Rodrigo R. Duterte signed the Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or CREATE Act, which seeks to reform income tax and rationalize fiscal incentives. The relevant provisions in the said Act include a) Reduced Regular Corporate Income Tax (RCIT) rate of 25 per cent starting July 01, 2020; and b) Minimum Corporate Income Tax (MCIT) rate shall be 1 per cent, instead of 2 per cent for the period beginning July 01, 2020 until June 30, 2023. Due to the reduction in RCIT rate, the interest arbitrage shall likewise be reduced to 20 per cent of interest income subject to final tax. Under the National Internal Revenue Code (NIRC), final income tax of 20 per cent is imposed on certain passive income of the Parent Bank such as interest or yield from bank deposits or deposit substitutes.

The Group has applied the necessary amendments relevant to the provisions contained in the Act.

Provision for income tax consists of:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Current				
Final Taxes	2,308,952	2,435,242	2,308,900	2,434,814
RCIT - FCDU	15,085	14,368	15,085	14,369
RCIT - RBU	1,153,858	407,433	1,140,066	347,552
	3,477,895	2,857,043	3,464,051	2,796,735
Deferred Tax Benefit	(2,620,162)	(2,278,723)	(2,662,559)	(2,194,330)
	857,733	**578,320**	**801,492**	**602,405**

In 2024, the Parent Bank was subjected to RCIT totaling Php 1.155 billion for all quarters. The balance of NOLCO from 2021 was utilized and applied to the Parent Bank's taxable income for 2022. Meanwhile, the excess MCIT from 2021 until 2022 was used as tax credit in the filing of the amended Income Tax Return (ITR) for 2023.

The details of the Parent Bank's NOLCO and MCIT (RBU Books) are as follows: (In thousands of pesos)

Inception Year	Amount	Used	Balance	Expiry Year
NOLCO				
2021	3,066,434	3,066,434	0	2026
2022	0	0	0	2027
2023	0	0	0	2028
2024	0	0	0	2029
	3,066,434	**3,066,434**	**0**	

Inception Year	Amount	Used	Balance	Expiry Year
Excess MCIT				
2021	21,139	21,139	0	2024
2022	77,966	77,966	0	2025
2023	0	0	0	2026
2024	0	0	0	2027
	99,105	**99,105**	**0**	

A reconciliation between the provision for corporate income tax at statutory tax rate and the actual provision for corporate income tax as of December 31 of the Parent Bank is as follows:

	2024		2023	
	Amount	Rate	Amount As Restated	Rate
Statutory income tax	2,017,178	25.00	1,634,002	25.00
Effect of items not subject to statutory tax rate:				
Income subjected to lower tax rates	(2,306,281)	(28.58)	(2,430,604)	(37.19)
Tax-exempt income	(882,842)	(10.94)	(973,988)	(14.90)
Non-deductible expenses	2,321,364	28.77	2,291,696	35.06
Others	(347,927)	(4.31)	81,299	1.24
Tax expense	**801,492**	9.94	**602,405**	9.21

Note 39 – Related Party Transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the Parent Bank has transactions with the National Government (NG) or the Republic of the Philippines, the Parent Bank's stockholder, and other government instrumentalities on an arm's length basis.

The Parent Bank has a Related Party Transaction (RPT) Committee that vets and endorses all material related party transactions, including those involving directors, officers, stockholders, and their related interests (DOSRI). The Committee shall be composed of at least three members of the Board of Directors (BOD), two of whom shall be independent directors, including the chairperson. The Committee shall, at all times, be entirely composed of independent directors and non-executive directors, with independent directors comprising the majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Chief Risk Officer, Chief Legal Counsel, Chief Compliance Officer and the Corporate Secretary or their authorized representatives shall sit as resource persons on the RPT Committee.

39.1 DOSRI

In the ordinary course of business, the Parent Bank has loans, deposits and other transactions with its Directors, Officers, Stakeholders, and other Related Interests (DOSRI).

Under existing policies of the Parent Bank, these loans are made substantially on the same terms as loans granted to other individuals and businesses of comparable risks.

BSP regulations limit the amount of the loans granted by a Parent Bank to a single borrower to 25 per cent of the unimpaired capital for retail and 35 per cent for wholesale. The amount of individual loans to DOSRI, of which at least 70 per cent must be secured, should not exceed the amount of the unencumbered deposits and book value of their paid in capital in the Parent Bank. In aggregate, loans to DOSRI should not exceed the total capital funds or 15 per cent of the total loan portfolio of the Parent Bank, whichever is lower. Pursuant to MORB Section 350.a, agencies/departments/bureaus of the Republic of the Philippines (ROP) are considered (1) non-risk and (2) not subject to any ceilings and per MORB Section 350.c, State Universities and Colleges (SUC) loans shall be excluded from the 30 per cent ceiling on unsecured loans.

BSP Circular No. 547 dated September 21, 2006 prescribed the DOSRI rules for government borrowings in government owned or controlled banks. Said circular considered as indirect borrowing of the ROP, loans, and other credit accommodation and guarantees to: (a) Government Owned and Controlled Corporations (GOCCs); and (b) Corporations where the ROP, its agencies/departments/bureaus, and/or GOCCs own at least 20 per cent of the subscribed capital stock.

The outstanding DOSRI loans of the Parent Bank as of December 31, 2024 of Php 104,255 million are all government borrowings covered by BSP Circular No. 547.

The following additional information relates to the DOSRI loans of the Parent Bank:

	2024	2023
Total DOSRI loans	104,254,760	75,405,269
Unsecured DOSRI loans	35,215	45,948
Total RPT Loans (inclusive of DOSRI)	104,254,760	86,301,277
Total Loan Portfolio	555,932,922	560,501,766
Per cent of DOSRI Loans to Total Loan Portfolio	18.75%	13.45%
Per cent of Unsecured DOSRI Loans to Total DOSRI Loans	0.03%	0.06%
Per cent of RPT Loans (inclusive of DOSRI) to Total Loan Portfolio	18.75%	15.40%
Per cent of Past Due DOSRI Loans to Total DOSRI Loans	0.00%	0.00%
Per cent of non-performing DOSRI Loans to Total DOSRI Loans	0.00%	0.00%

39.2 Key Management Remuneration

The compensation of key management are as follows (excluding Provident Fund benefits): (In millions)

	Group		Parent	
	2024	2023	2024	2023
a) Short-term employee benefits	114.65	118.10	92.05	99.17
b) Post-employment benefits	53.23	55.88	51.37	50.53
	167.88	**173.98**	**143.42**	**149.70**

The Director's fees are as follows: (In millions)

	Group		Parent	
	2024	2023	2024	2023
a) Per diem/honorarium	22.29	20.71	18.44	17.40

39.3 Subsidiaries and Affiliates

The following are the related party transactions and account balances of Parent Bank with its Subsidiaries and Affiliates: (In millions)

Subsidiaries	Accounts and Nature of Transactions	2024	2023
Al-Amanah Islamic Investment Bank of the Philippines	Cash in Bank – Deposited with Parent	15.72	9.13
	Rent Expenses - Rent of office space	0.00	0.28
	Travelling Expense - for seminar of security personnel	0.00	0.06
	Utilities	0.00	0.01
DBP Leasing Corporation	Cash in Bank - Deposited with Parent Bank	329.43	181.24
Data Center, Incorporated	Cash in Bank - Deposited with Parent Bank	39.05	12.11
	Receivables from Parent Bank - Professional Service Agreement	2.42	4.07
	Short-Term Investments - Retirement Fund held in trust with DBP Trust Banking Group	3.09	1.55
	Accounts Payable to Parent Bank - Rent of office space	1.72	1.11
	Rent Expenses - Rent of office space	4.35	4.54
	Utilities	0.12	0.00
	Income earned for the professional service agreement	13.99	18.76
DBP Management Corporation	Cash in Bank - Deposited with Parent Bank	69.51	65.98

Affiliates	Related Counterparty	Type of Transaction	Amount
DEVELOPMENT BANK OF THE PHILIPPINES			
Others	Bancnet, Inc.	Transaction fees	12.03
LIPA BANK			
Subsidiaries and Affiliates	Vimland Realty Development Corporation	Credit Transaction	10.77

Note 40 – Operating Segments

Operating segments are reported in accordance with the internal reporting provided to the President and Chief Executive Officer. All operating segments meet the definition of a reportable segment under PFRS 8 - Operating Segments.

The Parent Bank has determined and grouped the operating segments based on the nature of the services provided as follows:

- Treasury and Corporate Finance

Treasury and Corporate Finance Segment is engaged in proactive management of the Parent Bank's investment portfolio, trading of securities, and pricing of peso and FCDU deposit products. It also provides transaction and financial advisory services, project finance, loan syndications and securities issuance management, and underwriting.

- Development Lending

Development Lending segment provides banking services addressing the short, medium, and long-term needs of agricultural and industrial enterprises, particularly in the countryside and preferably for small and medium enterprises. This segment consists of the entire lending (corporate, consumer, MSMEs, agri-agra), trade finance (letters of credit, guarantees and loan commitments) and cash management services (ATMs and POS terminals, e-Gov services) available to top corporations and institutional clients down to middle market clients, retail enterprises and individuals.

Each operating segment has two or more segment managers who are directly accountable for the performance of the segments and coordinates with the President and Chief Executive Officer its financial performance and condition.

Gross Segment Revenues are mainly derived from net interest income after provision for impairment, plus other income. On the other hand, Direct Operating Expenses are computed based on total compensation and fringe benefits and other operating expenses directly related in the generation of revenue for each segment.

Segment Assets and Liabilities mainly consist of resources and obligations directly used in the segment's operations and are measured in a manner consistent with that shown in the statement of financial position after allocation of resources.

The segment assets, liabilities and results of operations of the reportable segments as of December 31, 2024 and 2023 are as follows:

As of December 31, 2024	Reportable Segments		Total Reportable Segments	Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending			
Interest Income	16,118,900	32,564,213	48,683,113	0	48,683,113
Interest Expense	(3,089,910)	(19,158,080)	(22,247,990)	0	(22,247,990)
Net Interest Income	13,028,990	13,406,133	26,435,123	0	26,435,123
Provision for Impairment	(681)	(32,603)	(33,284)	(7,114,254)	(7,147,538)
Net Interest Income After Provision for Impairment	13,028,309	13,373,530	26,401,839	(7,114,254)	19,287,585
Other Income	2,934,273	2,195,224	5,129,497	219,854	5,349,351
Gross Segment Revenue	15,962,582	15,568,754	31,531,336	(6,894,400)	24,636,936
Compensation and Fringe Benefits	(142,089)	(2,987,944)	(3,130,033)	(3,954,354)	(7,084,387)
Depreciation and Amortization	(206)	(251,957)	(252,163)	(474,518)	(726,681)
Other Operating Expenses	(937,835)	(6,440,668)	(7,378,503)	(1,378,653)	(8,757,156)
Total Direct Operating Expenses	(1,080,130)	(9,680,569)	(10,760,699)	(5,807,525)	(16,568,224)
Operating Profit Before Tax	14,882,452	5,888,185	20,770,637	(12,701,925)	8,068,712
Provision for Income Tax	(2,308,235)	(39)	(2,308,274)	1,506,782	(801,492)
Segment Net Profit for the Year	**12,574,217**	**5,888,146**	**18,462,363**	**(11,195,143)**	**7,267,220**
Segment Assets	**326,035,789**	**594,553,308**	**920,589,097**	**43,775,398**	**964,364,495**
Segment Liabilities	**63,102,889**	**796,454,722**	**859,557,611**	**8,818,612**	**868,376,223**
Equity					**95,988,272**

As of December 31, 2023 As Restated	Reportable Segments		Total Reporting Segments	Total Non-Reportable Segments	Bankwide Financial Statements
	Treasury and Corporate Finance	Development Lending			
Interest Income	16,079,928	30,643,416	46,723,344	(33)	46,723,311
Interest Expense	(2,739,262)	(20,553,560)	(23,292,822)	(48,529)	(23,341,351)
Net Interest Income	13,340,666	10,089,856	23,430,522	(48,562)	23,381,960
Provision for Impairment	0	(224,601)	(224,601)	(6,832,928)	(7,057,529)
Net Interest Income After Provision for Impairment	13,340,666	9,865,255	23,205,921	(6,881,490)	16,324,431
Other Income	3,329,744	2,601,500	5,931,244	317,573	6,248,817
Gross Segment Revenue	16,670,410	12,466,755	29,137,165	(6,563,917)	22,573,248
Compensation and Fringe Benefits	(137,893)	(2,967,372)	(3,105,265)	(2,595,504)	(5,700,769)
Depreciation and Amortization	(167)	(221,555)	(221,722)	(427,265)	(648,987)
Other Operating Expenses	(1,006,096)	(6,795,345)	(7,801,441)	(1,178,248)	(8,979,689)
Total Direct Operating Expenses	(1,144,156)	(9,984,272)	(11,128,428)	(4,201,017)	(15,329,445)
Operating Profit Before Tax	15,526,254	2,482,483	18,008,737	(10,764,934)	7,243,803
Provision for Income Tax	(2,434,178)	(37)	(2,434,215)	1,831,810	(602,405)
Segment Net Profit for the Year	**13,092,076**	**2,482,446**	**15,574,522**	**(8,933,124)**	**6,641,398**
Segment Assets	**361,880,542**	**580,435,876**	**942,316,418**	**41,717,687**	**984,034,105**
Segment Liabilities	**74,576,120**	**801,433,455**	**876,009,575**	**21,202,314**	**897,211,889**
Equity					**86,822,216**

Note 41 – Commitments and Contingent Liabilities

In the normal course of the Parent Bank's operations, there are outstanding commitments and contingent liabilities, such as guarantees, commitments to extend credit, forward exchange contracts, and similar arrangements, which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions.

The Parent Bank's aggregate contingent liabilities are as follows:

	2024	2023
Loan Commitments	37,111,463	34,905,717
Letters of Credit	34,960,889	21,609,079
Credit Lines Available	29,967,693	30,717,648
Inward bills for collection	4,598	37,693
Spot exchange bought/sold	0	783,803
Outward bills for collection	0	277
Others	50,106	45,711
	102,094,749	**88,099,928**

The Others item includes late deposits/payments received, deficiency claims receivables, written off accounts, and items held for safekeeping/ collaterals.

In 2024, the Parent Bank has outstanding Php 10.71 million provisions (liability) on contingent accounts booked under Other Miscellaneous Liability (Note 31).

Note 42 – Trust Funds

The Parent Bank is authorized under its charter to perform trust and fiduciary activities through the Trust Banking Group. Trust Funds are managed, accounted for, and reported individually in accordance with regulatory policies and agreements with trustors. As of December 31, 2024, trust assets amounted to Php 46.49 billion, reflecting a 2 per cent decrease from the Php 47.64 billion recorded in the same period last year. These are off-books transactions and therefore not included in the Parent Bank's financial statements.

Fee-based income for the year ended December 31, 2024 amounted to Php 118.42 million, while operating expenses and gross receipts tax totaled Php 82.57 million. Trust operations for the year generated a net income of Php 35.85 million, which is included in the Parent Bank's financial statements.

Government securities with fair value of Php 838 million as of December 31, 2024 were deposited with the BSP in compliance with the Basic Security Deposit requirements of the General Banking Law.

Note 43 – Foreign Currency Deposit Unit

The Parent Bank has been authorized by BSP to operate an Expanded Foreign Currency Deposit Unit (EFCDU) since August 1995.

Income derived under the expanded foreign currency deposit system is exempted from all taxes. Covered under this are foreign currency transactions with non-residents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the BSP to transact business with foreign currency deposit units and other depository banks under the expanded foreign currency deposit system.

Interest income from foreign currency loans granted to residents is subject to a final tax of ten per cent, pursuant to Republic Act No. 9294 (approved by President Gloria M. Arroyo on April 28, 2004).

Note 44 – Other Information

The following are the key financial indicators:

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Return on Average Equity	8.06%	9.03%	7.95%	8.03%
Return on Average Assets	0.76%	0.73%	0.75%	0.65%
Net Interest Margin	3.09%	2.61%	3.10%	2.62%
CET 1 Ratio	14.06%	13.03%	13.98%	13.00%
Tier 1 Ratio	14.06%	13.03%	13.98%	13.00%
Capital Adequacy Ratio	14.97%	13.94%	14.90%	13.92%

Note 45 – Reconciliation of Operating Cash Flow with Reported Net Income/(Loss)

	Group		Parent	
	2024	2023 As Restated	2024	2023 As Restated
Reported Operating Income	8,267,434	8,049,375	8,068,712	7,243,803
Operating cash flows from changes in asset and liability balances	(54,188,092)	(28,786,817)	(51,811,682)	(31,250,195)
Add/(deduct) non-cash items				
Depreciation	393,442	333,141	386,043	322,434
Amortization	39,492	48,655	38,750	47,943
Provision for impairment losses	7,585,228	6,241,087	7,147,538	6,886,156
Provision - Lawsuits	0	171,373	0	171,373
Provision- Pensions & Other Post Retirement Benefits	1,927,317	400,000	1,927,317	400,000
(Gain)/Loss from Marking to Market - FVTPL	(74,066)	(25,259)	(74,066)	(25,259)
FX (Gain)/Loss on revaluation	(1,769,015)	(2,247,647)	(1,769,015)	(2,247,647)
Other income/expenses	(1,133,385)	1,630,181	(3,092,750)	3,665,225
	6,969,013	6,551,531	4,563,817	9,220,225
Income taxes paid	(3,512,544)	(3,561,176)	(3,498,701)	(3,500,866)
Net cash provided by (used in) operating activities	**(42,464,189)**	**(17,747,087)**	**(42,677,854)**	**(18,287,033)**

Note 46 – Supplementary Information Required by BIR Revenue Regulation (RR) No. 15-2010 and Revenue Memorandum Circular (RMC) No. 17-2011

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the notes to financial statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

On April 04, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 17-2011, which proposes the use of basic standard format in complying with the requirements of the of RR No. 15-2010 on the additional notes to financial statements relative to taxpayer's tax compliance.

Below are the additional information required by RR No. 15-2010 and RMC No. 17-2011 that are relevant to the Parent Bank. This information is presented for the purpose of filing with the BIR and is not a required part of the basic financial statements as of December 31, 2024.

46.1 Parent Bank as Non-VAT Registered Corporation

Being a non-VAT registered corporation engaged in the business of specialized government banking, the Parent Bank paid the amount of Php 1.82 billion as percentage tax pursuant to RA No. 9238 law/regulations and based on the amount reflected in the Sales/Gross Income Received account of Php 46.41 billion.

46.2 Documentary Stamp Taxes (DST)

Summary transactions for documentary stamp tax purchased/utilized:

	Tax Base	Tax Due
DST on Loan Instruments	28,188,496	207,156
DST on Deposits and Other Cash Transactions	4,854,557,091	2,387,271
Other Transactions subject thereto and other adjustments	501,195	4,096
Total	**4,883,246,782**	**2,598,523**

46.3 Withholding Taxes

Withholding taxes paid/accrued:

	Paid	Accrued	Total
Tax on compensation and benefits	363,933	38,765	402,698
Creditable withholding taxes	127,989	17,708	145,697
Final withholding taxes	2,069,934	186,318	2,256,252
Total	**2,561,856**	**242,791**	**2,804,647**

46.4 All Other Local and National Taxes

Local and national taxes paid/accrued:

	Paid	Accrued	Total
Gross receipts tax:			
National	1,375,858	524,314	1,900,172
Local	103,488	0	103,488
Sub-total	1,479,346	524,314	2,003,660
Real property tax	14,715	0	14,715
Municipal tax	6,853	0	6,853
Others	175,756	1,431	177,187
Total	**1,676,670**	**525,745**	**2,202,415**

46.5 Deficiency Tax Assessments

The Parent Bank has received a final assessment notice from the Bureau of Internal Revenue (BIR) covering the taxable year 2020 amounting to Php 160 million, inclusive of penalties for deficiency income, VAT, percentage and withholding taxes, which has been agreed upon and settled on November 29, and December 27, 2024.

46.6 Revenue and Expenses per Income Tax Return

In relation to the required supplementary information under RR No. 15-2010, the BIR issued on April 12, 2022 the Revenue Memorandum Circular (RMC) No. 44-2022, which prescribes the guidelines in the filing of Annual Income Tax Returns (AITRs) and informs Electronic Filing and Payment System (eFPS) users that BIR Form 1702-RT January 2018 is now available. The Parent Bank started using the updated electronic form for filing its Income Tax Return in 2022.

Specifically, companies are required to disclose certain tax information in their respective notes to financial statements. For the taxable year December 31, 2024, the Parent Bank reported the following audited revenues and expenses for income tax purposes:

Revenues	
Services/operations:	18,011,822
Non-operating and taxable other income:	
Gain/(loss) from sale/derecognition of non-financial assets	38,391
Recovery from charged-off assets	57,531
	95,922
Total revenues	**18,107,744**
Expenses	
Cost of Services:	
Compensation & fringe benefits	5,330,718
Others	3,452,108
	8,782,826
Itemized deductions:	
Compensation & fringe benefits	2,180,082
Taxes & licenses	1,175,729
Depreciation/amortization	183,727
Securities, messengerial & janitorial services	150,708
Communication, light & water	140,144
Management and other professional fees	40,496
Fees and commission	77,389
Bad debts	17,233
Rentals	181,586
Repairs & maintenance	63,309
Travelling/fuel lubricants	34,827
Stationery and Supplies	42,013
Others	477,408
Total itemized deduction	4,764,651
Total expenses	**13,547,477**
Net taxable income	**4,560,267**

Note 47 – Prior Period Adjustments

The Parent Bank has identified significant prior period adjustments that require re-presentation of certain balances in the statements of financial position, statements of comprehensive income, and statements of changes in equity of CY 2022 and CY 2023. Accordingly, these significant prior period errors have been corrected in the financial statements in accordance with PAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

The impact of these changes has required the restatement of the following financial line items as at December 31, 2023:

Account Title	As Previously Reported	Restatement	As Restated
Bank premises, furniture, fixtures and equipment - net	2,384,914	(1,855)	2,383,059
Right-of-use assets - net	632,862	16,191	649,053
Other assets - net	34,321,512	(4,272)	34,317,240
Deposits liabilities	774,884,254	2,779	774,887,033
Accrued taxes, interests and expenses	10,547,174	(2,094,765)	8,452,409
Deferred credits and other liabilities	25,769,814	1,042	25,770,856
Retained earnings	53,774,603	2,101,008	55,875,611
Provision for impairment	7,066,380	(8,851)	7,057,529
Foreign exchange profit/(loss)	2,717,372	5,284	2,722,656
Service charges, fees and commissions	1,604,913	(2,782)	1,602,131
Miscellaneous	1,256,134	1,946	1,258,080
Compensation and fringe benefits	6,440,234	(739,465)	5,700,769
Occupancy expenses	51,720	16,105	67,825
Other operating expenses	4,686,164	28,865	4,715,029
Provision for income tax	602,016	389	602,405

Changes on the balance of Retained Earnings as at January 1, 2023 are as follows:

Balance as at January 1, 2023	47,841,726
Restatements/Adjustments:	
Reversal of various payroll accruals	1,396,543
Reversal of accrual of PLDT and SCMJ	2,842
Reversal of accounts payable - RPT for SPV	7,322
Adjustment of Directors fees	(138)
Various adjustments on depreciation and semi-expendable expenses	(7,681)
Reversal of foreign exchange profit/(loss)	(5,285)
	1,393,603
Balance as at January 1, 2023 - Restated	**49,235,329**

Note 48 – Events After the Reporting Period

48.1 Request for Dividend Relief

On April 16, 2025, the Parent Bank requested for dividend relief covering CY 2024 Net Earnings from the National Government through the Department of Finance (DOF). The grant of dividend relief will afford the Parent Bank the necessary cushion to withstand capital and liquidity disruption as it further accelerates its lending interventions in support of priority projects of the Administration.

In a letter dated June 11, 2025, the Department of Finance (DOF) endorsed the Parent Bank's requests for dividend relief for CYs 2023 and 2024 Net Earnings to the Office of the President (OP) for approval.

48.2 Regulatory Relief on Equity Investment in Maharlika Investment Corporation (MIC)

The effectivity of the regulatory relief from the Bangko Sentral ng Pilipinas (BSP) through non-deduction of the Php 25.0 billion equity investment in Maharlika Investment Corporation (MIC) from the calculation of the Capital Adequacy Ratio (CAR) and Basel III Leverage Ratio (BLR) was until December 2024, while the Common Equity Tier (CET) 1 Ratio is until December 2028.

On May 19, 2025, the BSP granted the Parent Bank an extension on the regulatory relief from the calculation of CAR until end-December 2026.

HEAD OFFICE
Sen. Gil Puyat Avenue corner Makati Avenue
Makati City, Philippines

MAILING ADDRESS
P.O. Box 1996, Makati Central Post Office 1200
Trunkline: (632) 8818-9511 Email: info@dbp.ph
Website: www.dbp.ph