



February 27, 2026

THE PHILIPPINE STOCK EXCHANGE, INC.

6/F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Atty. Johanne Daniel M. Negre**
Head, Disclosure Department

PHILIPPINE DEALING AND EXCHANGE CORP.

29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, Makati City 1226

Attention: **Atty. Suzy Claire R. Selleza**
Head - Issuer Compliance and Disclosure Department

Ladies and Gentlemen:

Please find attached the 2025 Audited Financial Statements of BDO Unibank, Inc. (BDO Unibank) and its Subsidiaries and the corresponding Notes to Financial Statements, which were approved by the Board of Directors of BDO Unibank at its meeting held today, February 27, 2026.

Thank you.

Very truly yours,

ALVIN C. GO
SVP/Assistant Corporate Secretary and Alternate
Corporate Information Officer

BDO Unibank, Inc.
BDO Towers Valero
8741 Paseo De Roxas
Salcedo Village
Makati City 1226
Philippines
Swift Code BNORPHMM
Tel (+632) 8840-7000
bdo.com.ph

We find ways®



**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C**

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER**

1. February 27, 2026
Date of Report (Date of earliest event reported)

2. SEC Identification Number 34001 3. BIR Tax Identification No. 000-708-174-000

4. **BDO Unibank, Inc.**
Exact name of issuer as specified in its charter

5. METRO MANILA 6. (SEC Use Only)
Province, country or other jurisdiction of Industry Classification Code:
incorporation

7. BDO Corporate Center, 7899 Makati Avenue, Makati 0726
City, Philippines Postal Code
Address of principal office

8. (632) 8840-7000/8702-6000
Issuer's telephone number, including area code

9. N.A.
Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	5,334,506,432
PREFERRED	618,000,000

11. Indicate the item numbers reported herein:

Item 4

Please find attached the 2025 Audited Financial Statements of BDO Unibank, Inc. (BDO Unibank) and its Subsidiaries and the corresponding Notes to Financial Statements, which were approved by the Board of Directors of BDO Unibank at its meeting held today, February 27, 2026.

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SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BDO Unibank, Inc.
Issuer

Date: February 27, 2026

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EDMUNDO L. TAN
Corporate Secretary



P&A
Grant Thornton

Financial Statements and
Independent Auditors' Report

BDO Unibank, Inc. and Subsidiaries

December 31, 2025, 2024 and 2023

Report of Independent Auditors

The Board of Directors and Stockholders

BDO Unibank, Inc.

BDO Towers Valero

8741 Paseo de Roxas, Salcedo Village

Makati City, Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (collectively referred to as the BDO Unibank Group) and of BDO Unibank, Inc. (the Parent Bank), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BDO Unibank Group and of the Parent Bank as at December 31, 2025 and 2024, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matter – Valuation of Loans and Other Receivables

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Description of the Matter

The BDO Unibank Group and the Parent Bank are required to recognize allowance for impairment on their loans and other receivables using the expected credit loss (ECL) model in accordance with PFRS 9, *Financial Instruments*. As of December 31, 2025, the BDO Unibank Group and the Parent Bank had loans and other receivables amounting to P3,694,508 million and P3,566,865 million, respectively, net of allowance for impairment of P86,905 million and P83,955 million, respectively. Loans and other receivables are the most significant resources which account for 68% and 69% of the BDO Unibank Group and the Parent Bank's total resources, respectively.

The allowance for impairment of loans and other receivables is considered to be a matter of significance as it requires the application of critical management judgment and use of subjective estimates in determining how much impairment loss is required to be recognized in the financial statements. These judgment and estimates are disclosed in the BDO Unibank Group's and the Parent Bank's accounting policies in Notes 2 and 3 to the financial statements.

The BDO Unibank Group and the Parent Bank use an ECL model in determining the impairment of their loans and other receivables. The assessment of credit risk of a portfolio of assets entails estimations as to the likelihood of defaults occurring, the associated loss ratios and of default correlations of the related counterparties. Furthermore, the BDO Unibank Group and the Parent Bank incorporated forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition and the measurement of ECL. The BDO Unibank Group and the Parent Bank have identified and documented key drivers of credit risk and credit losses for each loan portfolio and, using an analysis of historical data, have estimated relationships between macro-economic variables, credit risk and credit losses.

The disclosures of the BDO Unibank Group and the Parent Bank on the allowance for impairment of loans and other receivables, and the related credit risk are included in Notes 4 and 11 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables, included among others, evaluating the BDO Unibank Group's and the Parent Bank's accounting policies and methodologies as to whether they: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the BDO Unibank Group's and Parent Bank's lending activities and asset portfolio given different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of policies that capture in sufficient detail the judgment, including estimation applied in the development of the Group's ECL model.

With respect to the use of judgment and estimation of inputs and assumptions used in the BDO Unibank Group's and Parent Bank's ECL model, our procedures included:

- testing the design and operating effectiveness of relevant controls over credit review process as it relates to the determination of credit risk rating used in impairment provisioning;
- assessing the appropriateness of portfolio segmentation by evaluating the homogeneity of credit risk characteristics and determining whether segmentation was consistently applied in the ECL model;
- engaging our Firm's specialist in evaluating the appropriateness of methodologies and assumptions used in the ECL calculation including testing the discriminatory power of the Internal Credit Risk Rating System for each loan portfolio across all quarters during the year;
- evaluating the reasonableness of the credit risk ratings assigned to selected loan accounts to assess appropriateness of credit risk monitoring;
- testing the loan classification and staging scheme based on the determined days past due and other qualitative factors, including proper tagging of non-performing loans;
- evaluating management's quantitative and qualitative criteria in determining events that constitute default and significant increase in credit risk against the requirements set forth in PFRS 9;
- for probability of default, assessing whether default events were properly identified within the observation period and reflected in the historical default rates;
- for loss given default, testing the accuracy and completeness of historical recoveries and associated costs for each loan portfolio by inspecting relevant records of collections and disposals of related collaterals from selected defaulted accounts;
- reconciling exposure at default against relevant loan databases;
- on selected individually assessed loan accounts, evaluating the accuracy of management's forecast of recoverable cash flows based on agreed restructuring agreement and valuation of collaterals and estimates of recovery from other sources of collection;
- for forward-looking information used, evaluating reasonableness and source integrity of the forecasted macro-economic assumptions used in the model, which include gross domestic product growth, unemployment rates and core inflation rates. In addition, assessing the level of significance of correlation of selected macro-economic factors to the default rates as well as the impact of these variables to the ECL; and,
- assessing the completeness and appropriateness of the disclosures in the financial statements in accordance with relevant reporting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the BDO Unibank Group's SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A, and Annual Report for the year ended December 31, 2025, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

Those charged with governance are responsible for overseeing the BDO Unibank Group's and the Parent Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BDO Unibank Group's and the Parent Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BDO Unibank Group's and the Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the BDO Unibank Group and the Parent Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BDO Unibank Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 31 to the financial statements, the Parent Bank presented the supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to the financial statements. The supplementary information for the years ended December 31, 2025 and 2024 required by the BSP as disclosed in Note 35 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by BIR and BSP is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC.

The engagement partner on the audit resulting in this independent auditors' report is Jerald M. Sanchez.

PUNONGBAYAN & ARAULLO



By: Jerald M. Sanchez
Partner

CPA Reg. No. 0121830
TIN 307-367-174
PTR No. 10770774, January 6, 2026, Makati City
SEC Group A Accreditation
Partner - No. 121830-SEC (until financial period 2030)
Firm - No. 0002 (until financial period 2030)
BIR AN 08-002551-041-2025 (until November 11, 2028)
BOA/PRC Cert. of Reg. No. 0002/P-013 (until August 12, 2027)

February 27, 2026

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024
(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
RESOURCES					
CASH AND OTHER CASH ITEMS	8	P 119,359	P 109,744	P 113,349	P 105,767
DUE FROM BANGKO SENTRAL NG PILIPINAS	8	209,827	249,593	208,467	246,815
DUE FROM OTHER BANKS - Net	9	111,376	90,448	97,491	77,511
TRADING AND INVESTMENT SECURITIES - Net	10	984,693	876,108	948,328	839,988
LOANS AND OTHER RECEIVABLES - Net	11	3,694,508	3,272,518	3,566,865	3,168,757
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	12, 13	62,470	54,204	57,299	49,299
INVESTMENT PROPERTIES - Net	14	42,838	33,825	38,610	29,796
EQUITY INVESTMENTS - Net	15	5,251	4,711	77,118	66,150
INVESTMENT SECURITIES AND OTHER ASSETS FOR LIFE INSURANCE CONTRACTS - Net	16	136,814	121,911	-	-
OTHER RESOURCES - Net	17	64,420	62,988	59,713	57,115
TOTAL RESOURCES		P 5,431,556	P 4,876,050	P 5,167,240	P 4,641,198
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	19	P 4,189,791	P 3,794,027	P 4,069,462	P 3,686,052
BILLS PAYABLE	20	351,818	261,470	324,527	240,288
INSURANCE CONTRACT AND OTHER LIABILITIES FOR LIFE INSURANCE CONTRACTS	16	101,595	91,471	-	-
OTHER LIABILITIES	21	144,206	151,687	131,403	139,543
Total Liabilities		4,787,410	4,298,655	4,525,392	4,065,883
EQUITY	22				
Attributable to:					
Shareholders of the Parent Bank		641,074	574,671	641,848	575,315
Non-controlling Interests		3,072	2,724	-	-
Total Equity		644,146	577,395	641,848	575,315
TOTAL LIABILITIES AND EQUITY		P 5,431,556	P 4,876,050	P 5,167,240	P 4,641,198

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Millions of Philippine Pesos Except Per Share Data)

	Notes	BDO Unibank Group			Parent Bank		
		2025	2024	2023	2025	2024	2023
INTEREST INCOME	23	P 294,665	P 272,039	P 231,704	P 280,627	P 260,751	P 221,977
INTEREST EXPENSE	24	91,564	85,443	59,317	87,952	81,885	56,323
NET INTEREST INCOME		203,101	186,596	172,387	192,675	178,866	165,654
IMPAIRMENT LOSSES (RECOVERIES) - Net	18						
Financial assets	9, 10, 11, 17	14,611	14,262	16,406	13,453	13,147	15,665
Non-financial assets	12, 14, 17	426	(218)	(44)	426	(227)	(44)
Others	21	(30)	(14)	19	(30)	(14)	19
		15,007	14,030	16,381	13,849	12,906	15,640
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES (RECOVERIES)		188,094	172,566	156,006	178,826	165,960	150,014
OTHER OPERATING INCOME	25	77,074	70,893	65,315	75,682	66,430	57,314
INCOME ATTRIBUTABLE TO INSURANCE OPERATIONS - Net	16	7,561	6,845	6,372	-	-	-
OTHER OPERATING EXPENSES	25	165,128	146,613	130,512	150,094	132,099	119,318
PROFIT BEFORE TAX		107,601	103,691	97,181	104,414	100,291	88,010
TAX EXPENSE	31	20,122	21,471	23,621	17,135	18,175	20,811
NET PROFIT		P 87,479	P 82,220	P 73,560	P 87,279	P 82,116	P 67,199
Attributable to:							
Shareholders of the Parent Bank		P 87,174	P 82,019	P 73,411			
Non-controlling Interests		305	201	149			
		P 87,479	P 82,220	P 73,560			
Earnings Per Share:	32						
Basic		P 16.28	P 15.34	P 13.74			
Diluted		P 16.22	P 15.30	P 13.69			

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Millions of Philippine Pesos)

Notes	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
NET PROFIT	P 87,479	P 82,220	P 73,560	P 87,279	P 82,116	P 67,199
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that are or will be reclassified subsequently to profit or loss:						
Net unrealized gains (losses) on debt investments at fair value through other comprehensive income (FVOCI), net of tax	10, 16 5,049	(1,086)	7,487	5,028	(1,092)	7,459
Transfer of realized losses (gains) on disposed debt investments at FVOCI to statements of income, net of tax	14	(26)	19	12	(26)	20
Impairment losses (recoveries) on debt investments at FVOCI	10, 16 9	(25)	108	9	(25)	108
Net gains (losses) on FVOCI securities, net of tax	5,072	(1,137)	7,614	5,049	(1,143)	7,587
Translation adjustment related to foreign operations	192	(46)	16	232	(41)	25
	5,264	(1,183)	7,630	5,281	(1,184)	7,612
Items that will not be reclassified to profit or loss:						
Remeasurement on life insurance reserves	1,478	391	(4,072)	1,478	391	(4,072)
Actuarial losses on remeasurement of retirement benefit obligation, net of tax	26 (5,855)	(3,540)	(5,517)	(5,808)	(3,524)	(5,487)
Net unrealized gains on equity investments at FVOCI, net of tax	10 262	369	160	262	369	160
	(4,115)	(2,780)	(9,429)	(4,068)	(2,764)	(9,399)
Other Comprehensive Income (Loss), net of tax	1,149	(3,963)	(1,799)	1,213	(3,948)	(1,787)
TOTAL COMPREHENSIVE INCOME	P 88,628	P 78,257	P 71,761	P 88,492	P 78,168	P 65,412
Attributable to:						
Shareholders of the Parent Bank	P 88,347	P 78,066	P 71,615			
Non-controlling Interests	281	191	146			
	P 88,628	P 78,257	P 71,761			

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Millions of Philippine Pesos)

		BDO Unibank Group																
Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares at Cost	Surplus Reserves	Other Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on FVOCI	Accumulated Actuarial Losses	Revaluation Increment	Remeasurement on Life Insurance Reserves	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Loss of Associates	Total Attributable to Shareholders of the Parent Bank	Non-controlling Interests	Total Equity		
	BALANCE AT JANUARY 1, 2025	P 53,265	P 6,180	P 237,468	(P 7,077)	P 28,956	P 3	P 291,654	(P 12,980)	(P 26,571)	P 1,010	P 2,766	P 8	(P 11)	P 574,671	P 2,724	P 577,395	
	Transactions with owners																	
	Issuance of shares during the year	75	-	804	-	-	-	-	-	-	-	-	-	-	879	-	879	
	Sale of treasury shares	-	-	-	1	-	-	-	-	-	-	-	-	-	1	-	1	
	Options transferred during the year	-	-	-	(856)	-	-	-	-	-	-	-	-	(856)	-	(856)		
	Options expensed during the year	-	-	-	-	1,238	-	-	-	-	-	-	-	-	1,238	-	1,238	
	Property dividends	-	-	(49)	7,076	-	(7,076)	-	-	-	-	-	-	(49)	-	(49)		
	Cash dividends	-	-	-	-	-	(23,275)	-	-	-	-	-	-	(23,275)	(1)	(23,276)		
		75	-	755	7,077	382	(30,351)	-	-	-	-	-	-	(22,062)	(1)	(22,063)		
	Total comprehensive income (loss)	-	-	-	-	-	87,174	5,311	(5,802)	-	1,478	192	(6)	88,347	281	88,628		
	Transfer from Surplus Free																	
	Trust reserve	-	-	-	-	324	(324)	-	-	-	-	-	-	-	-	-	-	
	Appropriation of excess GLLP over ECL	-	-	-	-	3,091	(3,091)	-	-	-	-	-	-	-	-	-	-	
	Other reserves	-	-	-	-	700	(700)	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	4,115	(4,115)	-	-	-	-	-	-	-	-	-	-	
	Disposals of equity securities classified as FVOCI	-	-	-	-	-	148	(33)	-	-	-	-	-	115	-	115		
	Other adjustment –																	
	Additional capital contribution to a subsidiary	-	-	-	-	-	3	-	-	-	-	-	-	3	68	71		
	BALANCE AT DECEMBER 31, 2025	P 53,340	P 6,180	P 238,223	p -	P 33,453	P 6	P 344,510	(P 7,702)	(P 32,373)	P 1,010	P 4,244	P 200	(P 17)	P 641,074	P 3,072	P 644,146	
	BALANCE AT JANUARY 1, 2024	P 52,684	P 6,180	P 230,452	(P 1)	P 25,054	P 7	P 233,369	(P 12,210)	(P 23,048)	P 1,010	P 2,375	P 54	(P 10)	P 515,916	P 2,638	P 518,554	
	Transactions with owners																	
	Issuance of shares during the year	39	-	482	-	-	-	-	-	-	-	-	-	-	521	-	521	
	Options transferred during the year	-	-	-	(637)	-	-	-	-	-	-	-	-	(637)	-	(637)		
	Options expensed during the year	-	-	-	-	981	-	-	-	-	-	-	-	981	-	981		
	Issuance of shares due to merger	542	-	6,534	(7,076)	-	-	-	-	-	-	-	-	-	-	-	-	
	Cash dividends	-	-	-	-	-	(20,172)	-	-	-	-	-	-	(20,172)	(373)	(20,545)		
		581	-	7,016	(7,076)	344	(20,172)	-	-	-	-	-	-	(19,307)	(373)	(19,680)		
	Total comprehensive income (loss)	-	-	-	-	-	82,019	(774)	(3,523)	-	391	(46)	(1)	78,066	191	78,257		
	Transfer from Surplus Free																	
	Trust reserve	-	-	-	-	284	(284)	-	-	-	-	-	-	-	-	-	-	
	Appropriation of excess GLLP over ECL	-	-	-	-	2,690	(2,690)	-	-	-	-	-	-	-	-	-	-	
	Other reserves	-	-	-	-	584	(584)	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	3,558	(3,558)	-	-	-	-	-	-	-	-	-	-	
	Disposals of equity securities classified as FVOCI	-	-	-	-	-	(4)	4	-	-	-	-	-	-	-	-	-	
	Other adjustment –																	
	Additional capital contribution to a subsidiary	-	-	-	-	-	(4)	-	-	-	-	-	-	(4)	268	264		
	BALANCE AT DECEMBER 31, 2024	P 53,265	P 6,180	P 237,468	(P 7,077)	P 28,956	P 3	P 291,654	(P 12,980)	(P 26,571)	P 1,010	P 2,766	P 8	(P 11)	P 574,671	P 2,724	P 577,395	
	BALANCE AT JANUARY 1, 2023	P 52,641	P 6,180	P 229,946	(P 1)	P 22,131	(P 76)	P 178,537	(P 19,950)	(P 17,566)	P 1,010	P 6,447	P 38	(P 5)	P 459,332	P 2,125	P 461,457	
	Transactions with owners																	
	Issuance of shares during the year	43	-	506	-	-	-	-	-	-	-	-	-	-	549	-	549	
	Options transferred during the year	-	-	-	(359)	-	-	-	-	-	-	-	-	(359)	-	(359)		
	Options expensed during the year	-	-	-	-	903	-	-	-	-	-	-	-	903	-	903		
	Cash dividends	-	-	-	-	-	(16,207)	-	-	-	-	-	-	(16,207)	-	(16,207)		
		43	-	506	-	544	(16,207)	-	-	-	-	-	-	(15,114)	-	(15,114)		
	Total comprehensive income (loss)	-	-	-	-	-	73,411	7,747	(5,482)	-	(4,072)	16	(5)	71,615	146	71,761		
	Transfer from Surplus Free																	
	Trust reserve	-	-	-	-	262	(262)	-	-	-	-	-	-	-	-	-	-	
	Appropriation of excess GLLP over ECL	-	-	-	-	2,090	(2,090)	-	-	-	-	-	-	-	-	-	-	
	Other reserves	-	-	-	-	27	(27)	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	2,379	(2,379)	-	-	-	-	-	-	-	-	-	-	
	Disposals of equity securities classified as FVOCI	-	-	-	-	-	7	(7)	-	-	-	-	-	-	-	-	-	
	Other adjustment –																	
	Additional capital contribution to a subsidiary	-	-	-	-	-	83	-	-	-	-	-	-	-	83	367	450	
	BALANCE AT DECEMBER 31, 2023	P 52,684	P 6,180	P 230,452	(P 1)	P 25,054	P 7	P 233,369	(P 12,210)	(P 23,048)	P 1,010	P 2,375	P 54	(P 10)	P 515,916	P 2,638	P 518,554	

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group			Parent Bank		
		2025	2024	2023	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 107,601	P 103,691	P 97,181	P 104,414	P 100,291	P 88,010
Adjustments for:							
Interest received		304,181	276,675	237,732	283,904	264,335	223,260
Interest income	23	(294,665)	(272,039)	(231,704)	(280,627)	(260,751)	(221,977)
Interest expense	24	91,564	85,443	59,317	87,952	81,885	56,323
Interest paid		(90,176)	(82,753)	(53,774)	(87,587)	(80,205)	(51,490)
Impairment losses	9, 10, 11, 12, 14, 17, 18, 21	15,007	14,030	16,381	13,849	12,906	15,640
Depreciation and amortization	12, 13, 14, 17	12,921	12,171	12,656	11,585	10,417	11,444
Unrealized foreign exchange losses (gains)		(6,448)	(9,861)	543	(6,590)	(9,419)	269
Income attributable to insurance operations - net	16	(4,444)	(4,501)	(3,824)	-	-	-
Fair value losses (gains) on investment securities at FVTPL		2,003	(1,283)	(588)	2,113	(1,200)	(526)
Share in net income of subsidiaries and associates	15, 25	(1,661)	(1,397)	(1,273)	(10,600)	(9,303)	(8,378)
Employee stock option plan	26	1,222	968	896	1,137	906	858
Dividends received from investment in associates	15	1,155	924	726	2,792	5,441	1,394
Loss (gain) from the disposal of financial assets at fair value through other comprehensive income (FVOCI)	10	(235)	(89)	31	(244)	(91)	3
Loss (gain) from the disposal of investment securities at amortized cost	10	3	(1)	-	(6)	(1)	-
Gain on acquisition of a subsidiary	30	-	-	(6,276)	-	804	-
Operating profit before changes in operating resources and liabilities		138,028	121,978	128,024	122,092	116,015	114,830
Increase in financial assets at fair value through profit or loss		(7,267)	(11,845)	(794)	(5,536)	(12,284)	(2,045)
Increase in loans and other receivables		(460,064)	(393,789)	(264,391)	(436,152)	(368,868)	(257,689)
Increase in investment properties		(6,976)	(2,439)	(1,655)	(6,776)	(11,758)	(1,613)
Decrease (increase) in investment securities and other assets for life insurance contracts		(912)	1,076	(1,409)	-	-	-
Increase in other resources		(19,141)	(26,863)	(25,370)	(19,342)	(16,995)	(20,977)
Increase in deposit liabilities		395,595	226,483	343,249	383,146	209,224	332,613
Increase in insurance contract and other liabilities for life insurance contracts		11,602	9,341	9,064	-	-	-
Increase (decrease) in other liabilities		(8,370)	41,939	7,961	(8,925)	37,810	8,866
Cash generated from (used in) operations		42,495	(34,119)	194,679	28,507	(46,856)	173,985
Cash paid for income taxes		(19,267)	(18,642)	(20,076)	(16,188)	(15,808)	(17,358)
Net Cash From (Used in) Operating Activities		23,228	(52,761)	174,603	12,319	(62,664)	156,627
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisitions of financial assets at FVOCI	10	(1,046,426)	(1,332,272)	(882,675)	(1,032,288)	(1,324,855)	(872,261)
Proceeds from disposals of financial assets at FVOCI	10	990,636	1,301,294	768,577	974,348	1,292,110	760,430
Acquisitions of investment securities at amortized cost	10	(174,234)	(128,567)	(115,282)	(145,895)	(117,882)	(111,216)
Proceeds from maturities and disposals of investment securities at amortized cost	10	141,328	134,598	49,917	113,087	124,675	46,673
Acquisitions of financial assets at FVOCI arising from life insurance contracts	16	(25,725)	(19,527)	(23,999)	-	-	-
Acquisitions of premises, furniture, fixtures and equipment	12	(12,630)	(9,634)	(6,843)	(11,545)	(8,549)	(5,711)
Proceeds from disposals of financial assets at FVOCI arising from life insurance contracts	16	11,956	13,718	2,413	-	-	-
Proceeds from disposals of premises, furniture, fixtures and equipment	12	115	139	111	66	95	39
Maturities of investment securities at amortized cost arising from life insurance contracts	16	97	1,874	257	-	-	-
Acquisitions of investment securities at amortized cost arising from life insurance contracts	16	(91)	-	(28)	-	-	-
Net addition to equity investment	15	(40)	(360)	(1,171)	(1,502)	(1,853)	(1,171)
Net Cash Used in Investing Activities		(115,014)	(38,737)	(208,723)	(103,729)	(36,259)	(183,217)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from bills payable	20	342,978	298,109	187,614	222,651	238,358	134,226
Payments of bills payable	20	(256,070)	(232,136)	(198,313)	(140,632)	(171,033)	(153,761)
Dividends paid	22	(23,276)	(20,545)	(16,207)	(23,275)	(20,172)	(16,207)
Payments of lease liabilities	13	(4,738)	(4,431)	(4,370)	(4,415)	(4,321)	(4,097)
Proceeds from issuance of common stock	22	879	521	549	879	521	549
Transaction cost related to property dividends	22	(49)	-	-	(61)	-	-
Capital infusion from non-controlling interest	2	71	264	-	-	-	-
Sale of treasury shares	22	1	-	-	1	-	-
Net Cash From (Used in) Financing Activities		59,796	41,782	(30,727)	55,148	43,353	(41,290)
NET DECREASE IN CASH AND CASH EQUIVALENTS (Carried Forward)		(P 31,990)	(P 49,716)	(P 64,847)	(P 36,262)	(P 55,570)	(P 67,880)

Notes	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
NET DECREASE IN CASH AND CASH EQUIVALENTS (Brought Forward)	(P 31,990)	(P 49,716)	(P 64,847)	(P 36,262)	(P 55,570)	(P 67,880)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	8	109,744	94,278	82,944	105,767	91,635
Due from Bangko Sentral ng Pilipinas (BSP)	8	249,593	335,076	385,779	246,815	332,428
Due from other banks	9	88,260	84,678	58,766	77,211	76,567
Investment securities at amortized cost	10	3,545	709	-	2,498	709
Reverse repurchase agreements	11	25,463	25,370	26,305	25,012	24,970
Interbank loans receivables	11	61,844	48,920	98,942	61,844	49,722
Foreign currency notes and coins (FCNC)	17	10,301	8,986	10,582	10,300	8,986
Investment securities and other assets for life assurance contracts	16	5	454	-	-	-
		<u>548,755</u>	<u>598,471</u>	<u>663,318</u>	<u>529,447</u>	<u>585,017</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	8	119,359	109,744	94,278	113,349	105,767
Due from BSP	8	209,827	249,593	335,076	208,467	246,815
Due from other banks	9	108,793	88,260	84,678	96,959	77,211
Investment securities at amortized cost	10	2,922	3,545	709	320	2,498
Reverse repurchase agreements	11	23,170	25,463	25,370	21,669	25,012
Interbank loans receivables	11	40,827	61,844	48,920	40,827	61,844
FCNC	17	11,595	10,301	8,986	11,594	10,300
Investment securities and other assets for life assurance contracts	16	272	5	454	-	-
		<u>P 516,765</u>	<u>P 548,755</u>	<u>P 598,471</u>	<u>P 493,185</u>	<u>P 529,447</u>
					<u>P 585,017</u>	

Supplemental Information on Non-cash Financing and Investing Activities:

The following are the significant non-cash transactions:

- The BDO Unibank Group and the Parent Bank recognized additional right-of-use assets amounting to P4,654 and P4,282, respectively, in 2025, P4,403 and P4,060, respectively, in 2024, and P3,716 and P3,309, respectively, in 2023 which are presented as part of Premises, Furnitures, Fixtures and Equipment (see Notes 12 and 13).
- At the date of merger between the Parent Bank and The Podium Complex, Inc. (TPCI), formerly known as SM Keppel Land, Inc., the Parent Bank recognized additional assets and liabilities amounting to P16,580 and P9,746, respectively (see Note 30).
- On December 7, 2024, the Board of Directors of the Parent Bank approved the declaration of treasury shares as property dividends which resulted from the merger of the Parent Bank and TPCI with the Parent Bank as the surviving entity. The treasury shares amounting to P7,076 were distributed to shareholders on May 30, 2025 after obtaining approval from the Securities and Exchange Commission (see Note 22).

Other Information

Certain investment securities at amortized cost, reverse repurchase agreements, interbank loans receivables, and FCNC are included as part of cash and cash equivalents for cash flow purposes but are presented as part of Trading and Investment Securities, Loans and Other Receivables, Investment Securities and Other Assets for Life Insurance Contracts, and Other Resources, respectively, in the statements of financial position (see Note 2.4). Margin deposits presented as part of Due from Other Banks is excluded from cash and cash equivalents for cash flow purposes (see Note 9).

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025, 2024 AND 2023
(Amounts in Millions of Philippine Pesos, Except Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

BDO Unibank, Inc. (BDO Unibank, BDO or the Parent Bank) was incorporated in the Philippines on December 20, 1967 to engage in the business of banking. It was authorized to engage in trust operations on January 5, 1988 and in foreign currency deposit operations on November 23, 1990. The Bangko Sentral ng Pilipinas (BSP) granted approval to the Parent Bank to operate as an expanded commercial bank or universal bank on August 5, 1996. The Parent Bank commenced operations as such in September of the same year. The Parent Bank and its subsidiaries (collectively referred to as BDO Unibank Group) offer a wide range of banking services such as commercial banking, investment banking, private banking, insurance and other banking services. These services include traditional loan and deposit products, as well as treasury, asset management, realty management, leasing and finance, remittance, trade services, retail cash cards, life insurance and insurance brokerage, credit card services, stock brokerage, trust and others.

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

The Parent Bank's common shares are listed in the Philippine Stock Exchange (PSE).

The BDO Unibank Group and the Parent Bank's banking network within and outside the Philippines as of December 31, 2025 and 2024 follows:

	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Local branches	1,892	1,791	1,255	1,222
Foreign branches	2	2	2	2
Automated teller machines (ATMs)				
On-site	3,123	2,962	3,123	2,962
Off-site	1,995	1,960	1,995	1,960
Branch universal machines	663	481	663	481
Cash accept machines (CAMs)	315	411	315	411
Mobile ATMs	1	1	1	1

BDO Unibank Group operates mainly within the Philippines, with banking branches in Hong Kong and Singapore, a real estate and holding company in Europe, and various remittance subsidiaries operating in Asia, Europe, Canada and the United States. These foreign operations accounted for 2.3%, 2.1% and 1.8% of BDO Unibank Group's total revenues in 2025, 2024 and 2023, respectively, and 4.1% and 2.7% of BDO Unibank Group's total resources as of December 31, 2025 and 2024, respectively. BDO Unibank Group's subsidiaries and associates are shown in Notes 2.3 and 15.

The Parent Bank's principal office address is at BDO Corporate Center, 7899 Makati Avenue, Makati City while the temporary business address is at BDO Towers Valero, 8741 Paseo de Roxas Street, Salcedo Village, Makati City effective October 30, 2021 until further notice.

1.2 Impact of Trump Executive Orders on Tariffs and Immigration

After assuming office last January 20, 2025, US President Donald Trump started imposing tariffs on imports from Canada, Mexico and China, and intensified mass deportations of illegal immigrants through a series of Executive Orders (EO).

The EOs are foreseen to directly affect the global economy, and indirectly the Philippine economy, via foreign exchange and interest rates. Import tariffs and tighter labor supply may translate to higher US inflation and interest rates as well as a stronger US dollar (USD), all else equal.

In April 2025, the US imposed reciprocal tariffs on several countries to regulate imports. On August 7, 2025, the modified tariff schedule took effect, applying a 19% duty on most Philippine goods entering the US.

However, on February 20, 2026, the U.S. Supreme Court rejected President Trump's tariffs, ruling that the President lacked the authority to impose broad tariffs under the International Emergency Economic Powers Act (IEEPA). On the same day, President Trump announced a new 10% global tariff to replace the invalidated duties. This new regime relies on Section 122 of the Trade Act of 1974, which allows for temporary 150-day tariffs of up to 15% in situations of fundamental international payments problems. The next day, February 21, Trump increased the global tariff to 15%, effective February 24, 2026.

The potential impact of these developments on the Philippine economy is expected to be minimal as the Philippines is not a major player in the global supply chain with goods exports being a relatively low contributor to GDP. The country also has a well-diversified migrant work force that is not dependent on the US. While the US officially accounts for 40% of all remittance inflows as most remittances are coursed through global banks, actual worker deployment is much more diversified.

Given the unpredictable nature of recent developments and uncertain outcome, the BDO Unibank Group is constantly monitoring changes that may be related to the BDO Unibank Group and the Philippine economy. Still, BDO Unibank Group believes that its established market position and strong financial condition will mitigate risks relating to the Trump administration's policies.

1.3 Flood Control Issues

In his July 2025 State of the Nation Address, President Ferdinand Marcos Jr. ordered a comprehensive audit of all flood control projects following nationwide complaints about repetitive project descriptions, unclear site locations, and disproportionately large allocations awarded to a small group of contractors.

Initial findings revealed that P100 billion, or approximately 20% of the flood control budget from July 2022 to May 2025, had been awarded to only 15 contractors. Investigations by the Department of Public Works and Highways (DPWH) and state auditors also uncovered numerous substandard and "ghost" projects, which subsequently led to several high-profile resignations and arrests.

The BDO Unibank Group has negligible exposure to the public infrastructure sector but will continue to monitor developments. Currently, investigations are ongoing.

1.4 Approval of Financial Statements

The financial statements of the BDO Unibank Group and the Parent Bank as of and for the year ended December 31, 2025 (including the comparative financial statements as of December 31, 2024 and for the years ended December 31, 2024 and 2023) were authorized for issue by the Parent Bank's Board of Directors (BOD) on February 27, 2026.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 *Basis of Preparation of Financial Statements*

(a) *Statement of Compliance with Financial Reporting Standards in the Philippines*

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

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

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The BDO Unibank Group and the Parent Bank present a statement of comprehensive income separate from the statement of income.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos (PHP), the BDO Unibank Group and the Parent Bank's functional and presentation currency, and all values are presented in millions, except for per share data or when otherwise indicated (see also Note 2.19).

Items included in the financial statements of BDO Unibank Group and the Parent Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which BDO Unibank Group and the Parent Bank operate.

2.2 *Adoption of Amended PFRS Accounting Standards*

(a) *Effective in 2025 that are Relevant to BDO Unibank Group and the Parent Bank*

The BDO Unibank Group and the Parent Bank adopted for the first time amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*, which are mandatorily effective for annual periods beginning on or after January 1, 2025. The amendments require entities to assess whether a currency is exchangeable and to determine a spot exchange rate when exchangeability is lacking. These amendments also mandate the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.

(b) *Effective Subsequent to 2025 but not Adopted Early*

There are new standards and amendments to existing standards effective for annual periods subsequent to 2025, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the BDO Unibank Group and the Parent Bank's financial statements.

- (i) Philippine Financial Reporting Standard (PFRS) 17 *Insurance Contracts – Insurance Contracts* (effective from January 1, 2027). The new standard for insurance contracts, which covers recognition, measurement, presentation and disclosure, will replace PFRS 4, *Insurance Contracts*. On December 15, 2021, the FSRSC amended the effective date of PFRS 17 from January 1, 2023 to January 1, 2025. In line with this, the Insurance Commission (IC) issued Circular Letter No. 2020-62 on May 18, 2020 providing further deferral of the implementation of PFRS 17 for life insurance and non-life insurance industry by two years after the IASB effective date. This was further deferred to January 1, 2027 through Circular Letter No. 2025-04 issued on March 2025.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9, *Financial Instruments*.

In addition, the standard provides an optional simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

In preparation for the adoption of PFRS 17, the BDO Unibank Group continues its implementation activities on the refinement of end-to-end systems and processes, as well as the finalization of accounting policies amidst evolving regulation to ensure full compliance with the new accounting standard. Also, the BDO Unibank Group, continues to evaluate the financial impact as work progresses with the new implementation date of January 1, 2027.

- (ii) PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 Comparative Information* (effective from January 1, 2027)

- (iii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026). These amendments clarify and refine the classification and measurement guidance in PFRS 9, particularly when to derecognize financial liabilities (generally on settlement date) and introduce an accounting policy option to derecognize certain liabilities earlier when settled via electronic payment systems if specified conditions are met. These also clarify contractual cash flow assessments for financial assets with contingent [including Environmental, Social and Governance (ESG) goal-linked] features and provide guidance on non-recourse assets and contractually linked instruments. Correspondingly, PFRS 7 adds enhanced disclosures for instruments with contingent/ESG-linked terms and for equity instruments designated at fair value through other comprehensive income (FVOCI).
- (iv) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of income (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.
- (v) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)

2.3 Basis of Consolidation

The BDO Unibank Group's consolidated financial statements comprise the accounts of the Parent Bank and its subsidiaries as enumerated in Notes 2.3(c) and 15, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the BDO Unibank Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting principles.

The Parent Bank accounts for its investments in subsidiaries, associates, and transactions with non-controlling interests as follows:

(a) Investments in Subsidiaries

In the consolidated financial statements of the BDO Unibank Group, the acquisition method is applied to account for acquired subsidiaries. Acquisition method requires recognizing and measuring the identifiable resources acquired, the liabilities assumed and any non-controlling interest in the acquiree.

On the other hand, business combinations arising from transfers of interests in entities that are under the common control of the shareholders that controls BDO Unibank Group are accounted for under the pooling-of-interest method and reflected in the financial statements at the date of the combination of the entities under common control; for this purpose, no restatement of financial information for periods prior to the transaction is made. The resources and liabilities acquired are recognized in BDO Unibank Group's financial statements at their carrying amounts (i.e., in the case of a legal merger of a subsidiary to the Parent Bank, at the carrying values in the consolidated financial statements).

Investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method in the Parent Bank's financial statements (see Note 2.10).

(b) *Investment in Associates*

Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Acquired investment in associate is subject to the purchase method.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the BDO Unibank Group and the Parent Bank's carrying amount of the investments.

Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in net income of subsidiaries and associates under Other Operating Income account in the statements of income of the BDO Unibank Group and the Parent Bank.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the BDO Unibank Group and the Parent Bank, as applicable. However, when the BDO Unibank Group and the Parent Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the BDO Unibank Group and the Parent Bank do not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the BDO Unibank Group and the Parent Bank resume recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

(c) *Transactions with Non-controlling Interests*

BDO Unibank Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of BDO Unibank Group in their capacity as owners.

In BDO Unibank Group's financial statements, the non-controlling interest component is shown in its statements of changes in equity, and in its statements of income and statements of comprehensive income for the share of profit or loss and movement of other comprehensive income, respectively, during the year.

The BDO Unibank Group holds interests in the following subsidiaries:

Subsidiaries	Percentage of Ownership		
	2025	2024	2023
Thrift Bank			
BDO Network Bank, Inc. (BDO Network)	85.86%	84.92%	84.91%
Investment House			
BDO Capital & Investment Corporation (BDO Capital)	99.88%	99.88%	99.88%
Private Banking			
BDO Private Bank, Inc. (BDO Private)	100%	100%	100%
Leasing and Finance			
Averon Holdings Corporation (Averon)	99.88%	99.88%	99.88%
BDO Rental, Inc. (BDO Rental)	100%	100%	100%
BDO Finance Corporation (BDO Finance)	100%	100%	100%
BDORO Europe Ltd. (BDORO)	100%	100%	100%
The Podium Complex, Inc. (TPCI) (formerly, SM Keppel Land, Inc.)**	-	-	100%
Securities Company			
BDO Securities Corporation (BDO Securities)	99.88%	99.88%	99.88%
Real Estate Company			
Equimark-NFC Development Corporation (Equimark)*	60%	60%	60%
Insurance Companies			
BDO Life Assurance Company, Inc. (BDO Life)	100%	100%	100%
BDO Insurance and Reinsurance Brokers, Inc. (BDOI)	100%	100%	100%
Holding Companies			
Dominion Holdings, Inc. (Dominion Holdings)	88.54%	88.54%	88.54%
BDO Strategic Holdings, Inc. (BDOSHI)	100%	100%	100%
Remittance Companies			
BDO Remit (USA), Inc. (BRUSA)****	100%	100%	100%
BDO Remit (Japan) Ltd.	100%	100%	100%
BDO Remit (Canada) Ltd.	100%	100%	100%
BDO Remit Limited	100%	100%	100%
BDO Remit (Macau) Ltd.	100%	100%	100%
BDO Remit (UK) Ltd. (BDO Remit UK)***	99.88%	99.88%	99.88%
BDO Remit International Holdings B.V. (BDO RIH)*	96.20%	96.20%	96.20%
CBN Greece S.A.*	96.13%	96.13%	96.13%

* Under liquidation

** Merged with Parent Bank on December 1, 2024 (see Note 30.6)

*** For liquidation

**** For sale or liquidation

Non-controlling interests represent the interests not held by BDO Unibank Group in BDO Network, BDO Capital, Dominion Holdings, Averon, BDO Securities, Equimark, BDO Remit UK, BDO RIH and CBN Greece S.A (see Note 15).

2.4 *Financial Assets and Financial Liabilities*

Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the BDO Unibank Group commits to purchase or sell the asset).

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

The classification and measurement of financial assets are described below.

(i) *Financial Assets at Amortized Cost*

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

The BDO Unibank Group's financial assets at amortized cost are presented as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Other Receivables, Investment securities at amortized cost under Trading and Investment Securities and certain accounts under Investment Securities and Other Assets for Life Insurance Contracts and Other Resources accounts in the statements of financial position.

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins (FCNC), reverse repurchase agreements, certain interbank bank loans receivables and investment securities at amortized cost with original maturities of three months or less from placement date.

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

At initial recognition, BDO Unibank Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments at FVOCI; however, such designation is not permitted if the equity investment is held by the BDO Unibank Group for trading or as mandatorily required to be classified as FVTPL. The BDO Unibank Group has designated certain equity instruments at FVOCI.

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

Equity securities are classified as financial assets at FVTPL, unless the BDO Unibank Group designates an equity investment that is not held for trading at FVOCI at initial recognition. The BDO Unibank Group's financial assets at FVTPL include equity securities which are held for trading purposes.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

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

Interest income is recognized using the effective interest rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI are also recorded by using the EIR method.

The BDO Unibank Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

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

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.4(c)], interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(c) *Impairment of Financial Assets*

At the end of the reporting period, the BDO Unibank Group assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets which consist of debt instruments carried at amortized cost and FVOCI and other contingent accounts such as committed credit lines and unused commercial letter of credits. No impairment loss is recognized on equity securities. The BDO Unibank Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

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

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

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

The BDO Unibank Group’s definition of credit risk and information on how credit risk is mitigated by the BDO Unibank Group are disclosed in Note 4.3.

(d) *Measurement of ECL*

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The BDO Unibank Group’s detailed ECL measurement as determined by the management is disclosed in Note 4.3.5.

(e) *Derecognition of Financial Assets – Modification of Loans*

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

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

If the terms are substantially different, the BDO Unibank Group derecognizes the financial asset and recognizes a “new” asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the BDO Unibank Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized as gain or loss on derecognition of financial assets in profit or loss.

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

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

(f) *Classification and Measurement of Financial Liabilities*

Financial liabilities include deposit liabilities, bills payable and other liabilities for life insurance contracts (see Note 2.12) and other liabilities (including derivatives with negative fair values, except taxes payable, unearned income and capitalized interest and other charges).

- *Deposit liabilities and other liabilities* are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.
- *Bills payable* are recognized initially at fair value, equivalent to the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable are subsequently measured at amortized cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- *Derivatives with negative fair values* are recognized initially and subsequently measured at fair value with changes in fair value recognized in profit or loss (see Note 2.5).
- *Lease deposits from operating and finance leases* (presented as Lease deposits under Other Liabilities account in the statements of financial position) are initially recognized at fair value. The excess of the principal amount of the deposits over its fair or present value is immediately recognized as day-one gain and is included as part of Miscellaneous - net under Other Operating Income account in the statements of income. Meanwhile, interest expense on the subsequent amortization of the lease deposits is accrued using the effective interest method and is included as part of Interest Expense account in the statements of income.
- *Dividend distributions to shareholders* are recognized as financial liabilities when the dividends are declared by BDO Unibank Group and subject to the requirements of BSP Circular No. 888.

(g) *Financial Guarantees and Undrawn Loan Commitments*

The BDO Unibank Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the BDO Unibank Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the BDO Unibank Group is required to provide a loan or credit with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not reflected in the statements of financial position. These contracts are in the scope of the ECL requirements where the BDO Unibank Group estimates the expected portion of the irrevocable undrawn loan commitments that will be drawn over their expected life based on the BDO Unibank Group’s historical observations of actual drawdowns and forward-looking forecasts. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statements of financial position.

2.5 Derivative Financial Instruments

BDO Unibank Group is a party to various foreign currency forwards, cross-currency swaps and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing BDO Unibank Group's foreign exchange and interest rate exposures, as well as for trading purposes. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For more complex instruments, BDO Unibank Group uses valuation models, which usually use the discounted cash flow approach [see Note 3.2(c)]. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

Certain derivatives, if any, may be designated as either: (i) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or, (ii) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Changes in the fair value of derivatives are recognized in profit or loss. The method of recognizing the resulting fair value gain or loss on derivatives that qualify as hedging instrument, if any, depends on the hedging relationship designated by BDO Unibank Group.

2.6 Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. All other premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

Buildings	10 to 50 years
Furniture, fixtures and equipment	3 to 15 years
Leasehold rights and improvements	5 to 10 years

2.7 Investment Properties

Investment properties are stated at cost. The cost of an investment property comprises its purchase price and directly attributable costs incurred. This also includes land and building acquired by BDO Unibank Group from defaulting borrowers not held for sale in the next 12 months. For these properties, the cost is recognized initially at fair value. Investment properties, except land, are depreciated on a straight-line basis over a period of 10 to 50 years.

BDO Unibank Group adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value.

Depreciation and impairment loss are recognized in the same manner as in premises, furniture, fixtures and equipment (see Notes 2.6 and 2.18).

2.8 Real Properties for Development and Sale

Real properties for development and sale (included as part of Other Resources account) consist of subdivision land for sale and development, and land acquired for home building, home development, and other types of real estate development. These are carried at the lower of aggregate cost and net realizable value. Costs, which are determined through specific identification, include acquisition costs and costs incurred for development, improvement and construction of subdivision land.

2.9 Non-current Assets Held for Sale

Non-current assets held for sale include other properties (chattels) acquired through repossession or foreclosure, as well as an asset acquired in a business combination under common control, which the BDO Unibank Group intends to sell within one year from the date they are classified as held for sale.

BDO Unibank Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond BDO Unibank Group's control and there is sufficient evidence that BDO Unibank Group remains committed to sell the asset.

2.10 Equity Investments

In the Parent Bank's financial statements, investments in subsidiaries and associates (presented under Equity Investments account in the statements of financial position) are accounted for under the equity method of accounting and are initially recognized at cost less allowance for impairment, if any (see Note 2.18).

2.11 Intangible Assets

Intangible assets include goodwill, trading rights, branch licenses, customer lists, trademark and computer software licenses.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition. Goodwill is subsequently carried at cost less any accumulated impairment losses (see Note 2.18). Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

Trading rights represent the rights given to securities subsidiaries of BDO Unibank Group in stock brokerage to preserve access to the trading facilities and to transact business on PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment loss, if any. BDO Unibank Group has no intention to sell its trading right in the future as it intends to continue to operate its stock brokerage business. The trading right is tested annually for any impairment in realizable value (see Note 2.18).

Branch licenses, on the other hand, represent the rights given to BDO Unibank Group to establish certain number of branches as an incentive in acquiring distressed banks or as provided by the BSP in addition to the current branches of the acquired banks. Branch licenses are assessed as having an indefinite useful life and are tested annually for any impairment (see Note 2.18).

Customer lists consist of information about customers such as their name, contact information, and managed accounts under BDO Unibank Group's trust business. The customer list is classified as intangible asset with indefinite useful life, hence, would be reviewed for impairment by assessing at each reporting date whether there is any indication that the trust business brought about by the customer lists may be impaired (see Note 2.18).

Trademark pertains to the license granted to the Parent Bank for the exclusive right to use the trademark, service mark, name or logo of Diners Club International, Ltd. (Diners) in connection with the Parent Bank's operation of Diners card business in the Philippines. The trademark is covered by a trademark license agreement with a term of five years, renewable every five years, subject to certain conditions set by trademark owner. This intangible asset is recognized at an amount equal to the excess of purchase price for the acquisition of Diners credit card portfolio over the acquisition-date fair value of the net assets acquired. As of December 31, 2025 and 2024, the trademark is fully amortized.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on straight-line basis over the expected useful life of five years.

2.12 Insurance Contract Liabilities

(a) Legal Policy Reserves

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a prospective actuarial valuation method and assumptions subject to the provisions of the Insurance Code and guidelines set by the IC.

The BDO Unibank Group uses gross premium valuation (GPV) as the basis for valuation of the reserves for traditional life insurance policies. GPV is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate provided by the IC. For this purpose, the expected future cash flows shall be determined using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation (MfAD) from the expected experience. The methods and assumptions shall be in accordance with the internationally accepted actuarial standards and consider the generally accepted actuarial principles concerning financial reporting framework promulgated by the Actuarial Society of the Philippines, which considers other assumptions such as morbidity, lapse and/or persistency, non-guaranteed benefits and MfAD.

The changes in legal policy reserves for traditional life insurance policies are recognized as follows:

- (i) the increase or decrease in legal policy reserves in the current year due to other assumptions excluding change in discount rate will be recognized to profit or loss; and,
- (ii) remeasurement on life insurance reserves due to changes in discount rates will be recognized in other comprehensive income.

(b) Insurance Contracts with Fixed and Guaranteed Terms

Liabilities are determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums discounted at rates prescribed by the IC. Future cash flows are determined using best estimate assumptions with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

BDO Unibank Group has different assumptions for different products. However, the reserves are computed to comply with the statutory requirements, wherein discount rates are based on risk-free discount rates provided by the IC and other assumptions such as mortality, disability, lapse and expenses taking into account BDO Unibank Group's experience.

(c) Variable Unit-linked (VUL) Insurance Contracts

BDO Unibank Group, through BDO Life, issues unit-linked insurance contracts. In addition to providing insurance coverage, a unit-linked contract links payments to units of an internal investment fund set up by BDO Unibank Group with the consideration received from the policyholders. Premiums received from the issuance of unit-linked insurance contracts are recognized as premiums revenue. As allowed by PFRS 4, BDO Unibank Group chose not to unbundle the investment portion of its unit-linked products.

The reserve for unit-linked liability is increased by additional deposits and changes in unit prices and is decreased by policy administration fees, mortality and surrender charges and any withdrawals. At each reporting date, this reserve is computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying investment funds. The assets and liabilities underlying the internal investment funds have been consolidated with the general accounts of BDO Unibank Group.

(d) *Liability Adequacy Test*

Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

2.13 Equity

Equity consists of the following:

- (a) Capital stock represents the nominal value of shares that have been issued.
- (b) Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.
- (c) Surplus reserves consist of (i) reserve for trust business - represents the accumulated amount set aside by BDO Unibank Group under existing regulations requiring the BDO Unibank Group to carry to surplus 10% of its net profits accruing from its trust business until the surplus shall amount to 20% of the regulatory capital as prescribed by BSP; (ii) reserve for insurance fund and additional working capital for underwriting and equity trading securities and reserve fund requirement for subsidiaries engaged in the security brokerage business (see Note 22.5); (iii) share options outstanding (SOO) - represents the accumulated total of employee stock options' amortizations over the vesting period as the share-based employee remuneration are recognized and reported in the statement of income. SOO will be deducted for any exercise or forfeiture of share options already vested; and, (iv) appropriation for general loan loss provision (GLLP) as prescribed by the BSP to meet the required 1% GLLP on Stage 1 loans.
- (d) Merger and other reserves consist of (i) difference between the consideration paid and the carrying amounts of the net assets acquired in a business combination under common control and (ii) amount recognized from changes in BDO Unibank Group's ownership interest in any of its subsidiaries that do not result in loss of control.
- (e) Surplus free includes all current and prior period results as disclosed in the statement of income and which are available and not restricted for use by BDO Unibank Group, reduced by the amounts of dividends declared, if any.
- (f) Net unrealized gain or loss (NUGL) on FVOCI composed of cumulative mark-to-market valuation of outstanding securities and accumulated impairment on debt securities classified as FVOCI.
- (g) Accumulated actuarial gains or (losses) from the remeasurements of post-employment defined benefit plan.
- (h) Revaluation increment pertains to gains from the revaluation of land under premises, furniture, fixtures and equipment, which is treated as part of the deemed cost of the assets (see Note 2.6).

- (i) Remeasurement on life insurance reserves arises from the increase or decrease of the reserves brought about by changes in discount rates.
- (j) Accumulated translation adjustment pertains to foreign exchange differences arising on translation of the resources and liabilities of foreign branch and subsidiaries that are taken up in other comprehensive income (see Note 2.19).
- (k) Accumulated share in other comprehensive income (loss) of subsidiaries and associates pertains to changes resulting from the BDO Unibank Group and the Parent Bank's share in other comprehensive income (loss) of subsidiaries and associates or items recognized directly in the subsidiaries and associates' equity.
- (l) Non-controlling interests represent the portion of the net resources and profit or loss not attributable to BDO Unibank Group, which are presented separately in BDO Unibank Group's statement of income, statement of comprehensive income and within the equity in BDO Unibank Group's statement of financial position and changes in equity.

2.14 Related Party Transactions and Relationships

The BDO Unibank Group has established policies and procedures on related party transactions (RPT) in accordance with the BSP and Securities and Exchange Commission (SEC) regulations. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention or management of potential or actual conflicts of interest which arise from RPTs, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle-blowing mechanisms, and restitution of losses and other remedies for abusive RPTs. The RPT Committee reviews, approves and endorses to the BOD for final approval all material RPTs.

Material RPT whose value exceeds 10% of the BDO Unibank Group's total resources based on the latest audited consolidated financial statements, either singly or aggregated within a 12-month period, with the same related party, shall require review of an external independent party appointed by the BOD. The approval of two-thirds vote of the BOD, with at least a majority of the independent directors voting affirmatively shall be obtained prior to the execution of the material RPT. In case that majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock.

The RPT policy applies to the Parent Bank, its subsidiaries and affiliates, as appropriate, to ensure that every related party transaction is conducted in a manner that will protect the BDO Unibank Group from any conflict of interest which may arise between the BDO Unibank Group and its related parties. The policy also covers the proper review, approval, ratification and disclosure of transactions between the BDO Unibank Group and any of its related party/ies in compliance with legal and regulatory requirements. The policy likewise requires any member of the RPT Committee who has a potential interest in any RPT to abstain from the discussion and endorsement of the RPT. Similarly, any member of the BOD who has an interest in the transaction must abstain from the deliberation and approval of any RPT.

2.15 Other Income and Expense Recognition

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

The BDO Unibank Group also earns service fees and commissions in various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the BDO Unibank Group in accordance with PFRS 15.

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

- (a) *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized over time as the service is being provided and is based on the various criteria of recognition for each specific income source. These include the following accounts:
 - (i) *Commission and fees* arising from loans, deposits, and other banking transactions are taken up as income based on agreed terms and conditions.
 - (ii) *Loan syndication fees* are recognized as revenue when the syndication has been completed and that BDO Unibank Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.
 - (iii) *Arranger fees* arising from negotiating or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized at the completion of the underlying assumptions.
 - (iv) *Portfolio and other management advisory and service fees* are recognized based on the applicable service contracts, usually on a time-proportionate basis.
- (b) *Asset management services* – The BDO Unibank Group recognizes trust fees related to asset management services, which include trust and fiduciary services. Trust fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

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

- (a) *Trading and securities gains (losses)* – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.
- (b) *Gain or loss from assets sold or exchanged* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in the statements of income as part of Real and other properties acquired (ROPA) income under Other Operating Income account.
- (c) *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included as part of ROPA income and Miscellaneous - net under Other Operating Income account in the statements of income.

The BDO Unibank Group recognizes an expense and liability relative to the fair value of the reward points earned by clients and customers [see Note 3.2(j)] since such points are redeemable primarily from the goods or services provided by a third party participating in the program, for example, SM Group (a related party) and rewards partners of the Parent Bank.

2.16 Provisions and Contingencies

The BDO Unibank Group offers rewards to active account holders in relation to its credit card and marketing rewards program. Provisions for rewards are recognized at a certain rate of the account holders' availments, determined by management based on redeemable amounts [see Note 3.2 (j)].

2.17 Leases

BDO Unibank Group accounts for its leases as follows:

(a) *BDO Unibank Group as Lessor*

Leases, wherein BDO Unibank Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are presented as receivable at an amount equal to BDO Unibank Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on BDO Unibank Group's net investment outstanding in respect of the finance lease.

(b) *BDO Unibank Group as Lessee*

Subsequent to initial recognition, the BDO Unibank Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The BDO Unibank Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

BDO Unibank Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense as incurred.

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

2.18 Impairment of Non-financial Assets

Intangible assets with an indefinite useful life, such as goodwill, branch licenses, customer lists and trading rights are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.19 Foreign Currency Transactions and Translations

(a) *Foreign Currency Transactions*

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

(b) *Foreign Currency Translation*

The accounting records of BDO Unibank Group are maintained in Philippine pesos except for foreign branches and subsidiaries, which are maintained in USD, Canadian Dollar (CAD), European Union Euro (Euro), Great Britain Pound (GBP), Japanese Yen (JPY), Macanese Pataca (MOP), Hong Kong Dollars (HKD) or Singapore Dollar (SGD).

On consolidation, exchange differences arising from the translation of foreign branch and net investment in foreign subsidiaries are recognized in other comprehensive income as part of Accumulated Translation Adjustment account. When a foreign operation is sold, the cumulative amount of exchange differences is recognized in profit or loss.

The translation of the financial statements into Philippine peso should not be construed as a representation that the USD, CAD, Euro, GBP, JPY, MOP, HKD or SGD amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.20 Compensation and Benefits Expense

BDO Unibank Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

BDO Unibank Group's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee. The defined benefit obligation (DBO) is calculated annually by independent actuaries using the projected unit credit method.

A defined contribution plan is a post-employment plan under which BDO Unibank Group pays the required employer's contributions into an independent entity, such as the Social Security System. BDO Unibank Group has no legal or constructive obligations to pay further contributions after payment of the required employer's contribution.

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which the employee services are rendered, but do not include termination benefits.

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

BDO Unibank Group recognizes a liability and an expense for bonuses based on the BDO Unibank Group's bonus policy. A provision is recognized by BDO Unibank Group where it is contractually obliged to pay the benefits or where there is a past practice that has created a constructive obligation.

BDO Unibank Group has an employee stock option plan (ESOP) for its senior officers (from vice-president up) for their contribution to BDO Unibank Group's performance and attainment of team goals. None of the BDO Unibank Group's stock plan is cash-settled.

The stock options are measured at their fair values using the Black-Scholes option model. The stock options allocated to the qualified officers is based on the performance of the senior officers as determined by management and it requires a vesting period of five years. These are adjusted accordingly for any resignation or disqualification. The vested options may be exercised within three years from vesting date. The cost of ESOP is amortized over five years (vesting period) starting from the approval of the BOD. The annual amortization of stock options is included in Compensation and benefits under Other Operating Expenses account in the statements of income with corresponding recognition of SOO (included as part of Surplus Reserves under the Equity section of the statements of financial position).

2.21 Earnings Per Share

Basic earnings per share is determined by dividing consolidated net profit attributable to common shares by the weighted average number of common shares issued and outstanding during the period, after retroactive adjustment for any stock dividend declared in the current period.

The diluted earnings per share is computed in the same manner, however, consolidated net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares and stock option plan granted by BDO Unibank Group to the qualified officers (to the extent that shares under the stock option plan shall be issued from the unissued authorized capital stock and not purchased from the market or stock exchange).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 *Critical Management Judgments in Applying Accounting Policies*

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

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

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

BDO Unibank Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.3.5).

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

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

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

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

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

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

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

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In making this judgment, BDO Unibank Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if BDO Unibank Group can explain the reasons for those sales and why those sales do not reflect a change in BDO Unibank Group's objective for the business model.

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

BDO Unibank Group determines whether a property qualifies as investment property. In making its judgment, BDO Unibank Group considers whether the property generates cash flows largely independent of the other assets held by BDO Unibank Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other resources used in the supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), BDO Unibank Group accounts for those portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The BDO Unibank Group considers each property separately in making its judgment.

(e) *Distinction Between Operating and Finance Leases for Contracts where BDO Unibank Group is the Lessor*

The BDO Unibank Group has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources.

(f) *Determination of Lease Term*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of land and office spaces, the factors that are normally the most relevant are (i) if there are significant penalties should BDO Unibank Group pre-terminate the contract, and (ii) if any leasehold improvements are expected to have a significant remaining value, BDO Unibank Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the BDO Unibank Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The BDO Unibank Group did not include the renewal period as part of the lease term of the land and office spaces because the terms of most of the contracts are renewable upon the mutual agreement of the parties.

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

(g) *Classification and Fair Value Determination of Acquired Properties*

The BDO Unibank Group classifies its acquired properties as follows: (a) Premises, Furniture, Fixtures and Equipment, if used in operations; (b) chattels and properties acquired through business combination as Non-current assets held for sale (presented under Other Resources account) if expected to be recovered through sale rather than use; (c) real properties as Investment Properties if intended to be held for capital appreciation or lease; (d) financial assets, if qualified as such in accordance with PFRS 9; or (e) depreciable assets (other than building) as Other properties (presented as part of Others under Other Resources account) if held for sale but are not yet disposed after a certain number of years. At initial recognition, the BDO Unibank Group determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties. The BDO Unibank Group's methodology in determining the fair value of acquired properties is further discussed in Note 7.5.

(h) *Assessment of Significant Influence on Entities in which BDO Unibank Group Holds Less than 20% Ownership*

The management has assessed that the BDO Unibank Group and the Parent Bank exercise a significant influence over NLEX Corporation even though it holds less than 20% of the latter's ordinary shares. In making this judgment, management considered the BDO Unibank Group and the Parent Bank's voting rights, which is based on its acquired right to nominate a director in NLEX Corporation as granted in the Amended and Restated Shareholders' Agreement (ARSA).

Under the ARSA, an investor holding at least 10% of the equity of NLEX Corporation is granted the right to nominate one director and an investor holding at least 16.5% is granted the right to nominate two directors. Management determined that these nomination rights provide the BDO Unibank Group the power to participate in the financial and operating policy decisions of NLEX Corporation, thereby meeting the criteria of significant influence under PAS 28, *Investments in Associate and Joint Ventures*.

Management acknowledges that an incorrect assessment of significant influence would result in either overstatement or understatement of resources, liabilities, income and expenses, as accounting treatment differs depending on whether an investor is classified as an associate.

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

The BDO Unibank Group determines that its revenues from services for account management and loan administration shall be recognized over time while all other revenue streams are recognized at point in time. In making its judgment, the BDO Unibank Group considers the timing of receipt and consumption of benefits provided by the BDO Unibank Group to the customers. As the work is performed, the BDO Unibank Group becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of the BDO Unibank Group's rendering of these retail and corporate banking services as it performs.

In determining the best method of measuring the progress of the BDO Unibank Group's rendering of aforementioned services, the management considers the output method, which uses direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised as basis in recognizing revenues. Such measurements include results of performance completed to date and time elapsed.

(j) *Determination of Branch Licenses Having Indefinite Useful Lives*

The BDO Unibank Group's branch licenses were regarded as having indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the BDO Unibank Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(k) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the BDO Unibank Group that do not yet meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the financial statements. Judgment is exercised by management to distinguish between provisions and contingencies. Relevant disclosures are presented in Note 34.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Estimation of Allowance for ECL*

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

The carrying value of financial assets at FVOCI, Investment securities at amortized cost, Loans and Other Receivables, financial assets at FVOCI for life insurance contracts, and the analysis of the allowance for impairment on such financial assets, are shown in Notes 10.2, 10.3, 11, 16.1 and 18, respectively.

(b) *Fair Value Measurement for Financial Instruments*

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

The carrying values of the BDO Unibank Group's financial assets at FVTPL and financial assets at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 10.1, 10.2, and 16.1.

(c) *Determination of Fair Value of Derivatives*

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques normally using the discounted cash flow model.

The value produced by a model or other valuation technique, in some instances, is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction.

Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statements of financial position.

(d) *Estimation of Useful Lives of Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources*

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

The carrying amounts of premises, furniture, fixtures and equipment are analyzed in Note 12 while investment properties and other resources, including trademark, goodwill and branch licenses, are analyzed in Notes 14 and 17, respectively.

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

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

(f) *Determination of Assumptions for Management's Estimation of Fair Value of Investment Properties*

Investment properties are carried at cost. The fair values disclosed in Note 14 are determined by BDO Unibank Group using the discounted cash flows valuation technique, which is mainly based on existing market conditions and actual transactions at each reporting period. Key considerations include selling prices under installment terms, expected timing of sale, and appropriate discount rates. Expected selling price is determined by either an independent or internal appraiser based on the current appraised values of the properties or comparable properties in similar locations and conditions (see Note 7.5).

For investment properties appraised prior to the end of the current reporting period, management evaluates whether significant developments or circumstances have arisen during the intervening period that would require adjustments in the disclosed fair values. Significant changes in key inputs or sources of information used in determining fair value may necessitate adjustments to the carrying amounts of these assets if such fair values provide evidence of impairment.

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

BDO Unibank Group reviews its deferred tax assets at each reporting period and reduces the carrying amount when it is no longer probable that sufficient taxable profit will be available to support their utilization. Significant judgment is applied by the management in determining the amount of deferred tax assets that can be recognized considering the timing and expected level of the BDO Unibank Group's future taxable income. In assessing recoverability, the BDO Unibank Group considers projected financial performance to evaluate the sufficiency of taxable income to support recognition.

The carrying value of deferred tax assets expected to be realized within the next two to three years as of December 31, 2025 and 2024 is disclosed in Note 31.1.

(h) *Impairment of Non-financial Assets*

To determine value in use, management estimates the future cash flows expected from each cash-generating unit and determines the suitable discount rate to calculate their present value. Discount rates are determined individually for each cash-generating unit and reflect management's assessment of related market, asset-specific, and risk profile factors.

Except for goodwill and intangible assets with indefinite useful lives, PAS 36, *Impairment of Assets*, requires an impairment review whenever indicators of impairment exist. While management believes that the assumptions used in estimating fair values are reasonable and appropriate, changes in these assumptions may materially affect the recoverable values. Any resulting impairment could have a material adverse effect on the results of operations.

Impairment losses recognized in profit or loss are disclosed in Note 18.

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

The measurement of BDO Unibank Group's post-employment and other retirement benefit obligations and related expense requires the use of actuarial assumptions. These assumptions, disclosed in Note 26.2, include discount rates, expected return on plan assets, and salary increase rates. Significant changes in any of these actuarial assumptions may materially affect the recognized expense, other comprehensive income (loss), and the carrying amount of the obligation in future periods.

Details of the post-employment benefit obligation, related expenses, movements in the present value of the obligation, and the significant actuarial assumptions used are presented in Note 26.2.

(j) *Recognition of Reward Points*

The BDO Unibank Group grants rewards points to its banking clients based on the month-to-date average daily balance in personal deposit accounts and credit card usage. Reward points are redeemable in a wide selection of reward categories, including travel, merchandise of third parties, reward credits and gift certificates. Certain credit card reward points do not expire unless the card is cancelled, while other rewards programs have defined expiration periods.

The BDO Unibank Group recognizes a liability for the cost of future reward redemptions of points earned to date. The liability is based on accumulated points and the current cost per point of redemption. Estimated redemptions are revised regularly and consider factors such as historical redemption behavior, the product type that generated the points, and the expected ultimate redemption date.

The estimated liability is affected by changes in points earned and redeemed, weighted-average cost per point, customer redemption choices, and other program modifications. The calculation is most sensitive to changes in the ultimate redemption rate, which assumes that a large majority of points earned will eventually be redeemed.

The carrying value of the rewards points liability is presented as part of Accrued expenses under Other Liabilities account in the statements of financial position (see Note 21).

(k) *Valuation of Legal Policy Reserves*

Legal policy reserves represent the estimated present value of future benefits and expenses in excess of the present value of future gross premiums. These estimates are based on interest rates, mortality and morbidity rates, lapse rates, and valuation methodologies, all of which must comply with the insurance code and IC guidelines.

For life insurance contracts, discount rates prescribed by the IC are used, while other assumptions reflect best estimates based on recent experience and appropriate MfAD. At each reporting date, these estimates are reassessed for adequacy and changes are reflected as adjustments to the liability. Key assumptions include mortality, morbidity, lapse, discount rates, and expenses.

The number of expected lapses, deaths, illnesses or injuries affects the valuation of future benefits and ensures that reserves remain adequate. These estimates are monitored against current and future expected premiums (see Note 16.2).

(l) *Fair Value Measurement of Stock Options*

The BDO Unibank Group estimates the fair value of executive stock options using the Black-Scholes option pricing model, taking into account the terms and conditions of the stock option plan. The significant assumptions include the option's vesting period, applicable risk-free interest rate, expected dividend yield, volatility of the BDO Unibank Group's share price, and the fair value of the BDO Unibank Group's common shares. Changes in these assumptions may impact the fair value of stock options at the grant date.

4. RISK MANAGEMENT

The BOD is responsible for establishing and maintaining a sound risk management system. The BOD assumes oversight over the entire risk management process and has the ultimate responsibility for all risks taken.

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

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

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

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

In 2025, there was no significant change on the policies and process for managing the risk and the methods used to measure the risk of the BDO Unibank Group and the Parent Bank.

4.1 Liquidity Risk

Liquidity risk refers to the possibility that the BDO Unibank Group may be unable to generate sufficient funds to meet its obligations as they fall due – whether to repay depositors, extend committed loans, or meet other liquidity commitments. The BDO Unibank Group manages this risk by maintaining an adequate stock of high-quality liquid assets to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (MCO) limits, and conducting regular liquidity stress tests to ensure positive cashflow under all identified stress scenarios. The BDO Unibank Group also maintains a Liquidity Contingency Plan to ensure the availability of funding under both business-as-usual and stressed conditions.

The analyses of the maturity groupings of resources, liabilities and off-book items as of December 31, 2025 and 2024 prepared in accordance with account classification of the BSP, are presented below and in the succeeding pages. The amounts disclosed in the maturity analysis represent contractual cash flows using the primary contractual maturities or behavioral assumptions on core levels (e.g., core deposit liabilities and core deposit substitutes with maturities within one year have been classified in the more than three years category), if the latter is more relevant for purposes of profiling the liquidity gap.

BDO Unibank Group

<i>(Amounts in PHP)</i>	2025				Total
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	
Resources:					
Cash and other cash items	119,359	-	-	-	119,359
Due from BSP and other banks - net	194,651	14,440	68,533	43,579	321,203
Trading and investment securities - net	83,711	51,998	238,499	610,485	984,693
Loans and other Receivables - net	723,874	508,631	745,948	1,716,055	3,694,508
Investment securities and other assets for life insurance contracts - net	5,466	6,510	13,576	111,262	136,814
Other resources - net*	75,157	2	3	99,817	174,979
Total Resources	1,202,218	581,581	1,066,559	2,581,198	5,431,556
Liabilities and Equity:					
Deposit liabilities	1,297,851	270,371	1,521,498	1,100,071	4,189,791
Bills payable	108,036	39,368	164,987	39,427	351,818
Insurance contract and other liabilities for life insurance contracts**	8,276	(3,236)	(4,780)	101,335	101,595
Other liabilities	123,687	13,296	1,398	5,825	144,206
Total Liabilities	1,537,850	319,799	1,683,103	1,246,658	4,787,410
Equity	-	-	-	644,146	644,146
Total Liabilities and Equity	1,537,850	319,799	1,683,103	1,890,804	5,431,556
On-book gap	(335,632)	261,782	(616,544)	690,394	-
Cumulative on-book gap	(335,632)	(73,850)	(690,394)	-	-
Contingent assets	385,517	68,009	19,016	30,427	502,969
Contingent liabilities	411,303	72,186	18,880	30,006	532,375
Off-book gap	(25,786)	(4,177)	136	421	(29,406)
Net Periodic Gap	(361,418)	257,605	(616,408)	690,815	29,406
Cumulative Total Gap	(361,418)	(103,813)	(720,221)	(29,406)	-

* Other resources include Premises, Furniture, Fixtures and Equipment - net, Investment Properties - net, Equity Investments - net, and Other Resources - net.

** Insurance contract and other liabilities for life insurance contracts with more than three months to one year and more than one year to three years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

BDO Unibank Group

<i>(Amounts in PHP)</i>	2024				Total
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	
Resources:					
Cash and other cash items	109,744	-	-	-	109,744
Due from BSP and other banks - net	181,756	17,333	82,281	58,671	340,041
Trading and investment securities - net	112,439	66,574	164,087	533,008	876,108
Loans and other receivables - net	696,608	383,062	687,332	1,505,516	3,272,518
Investment securities and other assets for life insurance contracts - net	2,914	5,545	12,153	101,299	121,911
Other resources - net*	9,184	2	3	146,539	155,728
Total Resources	1,112,645	472,516	945,856	2,345,033	4,876,050
Liabilities and Equity:					
Deposit liabilities	1,188,587	203,537	1,351,615	1,050,288	3,794,027
Bills payable	28,600	122,430	104,107	6,333	261,470
Insurance contract and other liabilities for life insurance contracts**	1,278	407	(2,326)	92,112	91,471
Other liabilities	70,347	1,834	1,909	77,597	151,687
Total Liabilities	1,288,812	328,208	1,455,305	1,226,330	4,298,655
Equity	-	-	-	577,395	577,395
Total Liabilities and Equity	1,288,812	328,208	1,455,305	1,803,725	4,876,050
On-book gap	(176,167)	144,308	(509,449)	541,308	-
Cumulative on-book gap	(176,167)	(31,859)	(541,308)	-	-
Contingent assets	465,296	69,102	32,440	19,804	586,642
Contingent liabilities	512,737	75,437	32,375	22,091	642,640
Off-book gap	(47,441)	(6,335)	65	(2,287)	(55,998)
Net Periodic Gap	(223,608)	137,973	(509,384)	539,021	55,998
Cumulative Total Gap	(223,608)	(85,635)	(595,019)	(55,998)	-

Parent Bank

<i>(Amounts in PHP)</i>	2025				Total
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	
Resources:					
Cash and other cash items	113,349	-	-	-	113,349
Due from BSP and other banks - net	182,022	12,019	68,533	43,384	305,958
Trading and investment securities - net	75,900	51,220	227,841	593,367	948,328
Loans and other receivables - net	787,974	473,968	694,823	1,610,100	3,566,865
Other resources - net*	-	-	-	232,740	232,740
Total Resources <i>(Balance carried forward)</i>	1,159,245	537,207	991,197	2,479,591	5,167,240

* Other resources include Premises, Furniture, Fixtures and Equipment - net, Investment Properties - net, Equity Investments - net, and Other Resources - net.

** Insurance contract and other liabilities for life insurance contracts with more than one year to three years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Parent Bank

	2025				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
<i>(Amounts in PHP)</i>					
Total Resources <i>(Balance brought forward)</i>	<u>1,159,245</u>	<u>537,207</u>	<u>991,197</u>	<u>2,479,591</u>	<u>5,167,240</u>
Liabilities and Equity:					
Deposit liabilities	1,267,362	269,311	1,521,296	1,011,493	4,069,462
Bills payable	166,799	26,255	96,216	35,257	324,527
Other liabilities	<u>40,649</u>	<u>12,884</u>	<u>-</u>	<u>77,870</u>	<u>131,403</u>
Total Liabilities	<u>1,474,810</u>	<u>308,450</u>	<u>1,617,512</u>	<u>1,124,620</u>	<u>4,525,392</u>
Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,848</u>	<u>641,848</u>
Total Liabilities and Equity	<u>1,474,810</u>	<u>308,450</u>	<u>1,617,512</u>	<u>1,766,468</u>	<u>5,167,240</u>
On-book gap	<u>(315,565)</u>	<u>228,757</u>	<u>(626,315)</u>	<u>713,123</u>	<u>-</u>
Cumulative on-book gap	<u>(315,565)</u>	<u>(86,808)</u>	<u>(713,123)</u>	<u>-</u>	<u>-</u>
Contingent assets	349,680	55,280	857	4,648	410,465
Contingent liabilities	<u>375,587</u>	<u>59,456</u>	<u>861</u>	<u>4,654</u>	<u>440,558</u>
Off-book gap	<u>(25,907)</u>	<u>(4,176)</u>	<u>(4)</u>	<u>(6)</u>	<u>(30,093)</u>
Net Periodic gap	<u>(341,472)</u>	<u>224,581</u>	<u>(626,319)</u>	<u>713,117</u>	<u>30,093</u>
Cumulative Total Gap	<u>(341,472)</u>	<u>(116,891)</u>	<u>(743,210)</u>	<u>(30,093)</u>	<u>-</u>
	2024				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
<i>(Amounts in PHP)</i>					
Resources:					
Cash and other cash items	105,767	-	-	-	105,767
Due from BSP and other banks - net	168,824	14,857	82,281	58,364	324,326
Trading and investment securities - net	108,863	63,829	152,708	514,588	839,988
Loans and other receivables - net	699,868	357,374	644,424	1,467,091	3,168,757
Other resources - net*	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,360</u>	<u>202,360</u>
Total Resources	<u>1,083,322</u>	<u>436,060</u>	<u>879,413</u>	<u>2,242,403</u>	<u>4,641,198</u>
Liabilities and Equity:					
Deposit liabilities	1,154,745	202,915	1,351,427	976,965	3,686,052
Bills payable	31,499	111,142	91,862	5,785	240,288
Other liabilities	<u>50,917</u>	<u>1,565</u>	<u>-</u>	<u>87,061</u>	<u>139,543</u>
Total Liabilities	<u>1,237,161</u>	<u>315,622</u>	<u>1,443,289</u>	<u>1,069,811</u>	<u>4,065,883</u>
Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,315</u>	<u>575,315</u>
Total Liabilities and Equity	<u>1,237,161</u>	<u>315,622</u>	<u>1,443,289</u>	<u>1,645,126</u>	<u>4,641,198</u>
On-book gap	<u>(153,839)</u>	<u>120,438</u>	<u>(563,876)</u>	<u>597,277</u>	<u>-</u>
Cumulative on-book gap	<u>(153,839)</u>	<u>(33,401)</u>	<u>(597,277)</u>	<u>-</u>	<u>-</u>
Contingent assets	454,069	59,596	2,194	2,135	517,994
Contingent liabilities	<u>501,492</u>	<u>66,116</u>	<u>2,224</u>	<u>2,143</u>	<u>571,975</u>
Off-book gap	<u>(47,423)</u>	<u>(6,520)</u>	<u>(30)</u>	<u>(8)</u>	<u>(53,981)</u>
Net Periodic gap	<u>(201,262)</u>	<u>113,918</u>	<u>(563,906)</u>	<u>597,269</u>	<u>53,981</u>
Cumulative Total Gap	<u>(201,262)</u>	<u>(87,344)</u>	<u>(651,250)</u>	<u>(53,981)</u>	<u>-</u>

* Other resources include Premises, Furniture, Fixtures and Equipment - net, Investment Properties - net, Equity Investments - net, and Other Resources - net.

The negative liquidity gap in the MCO is due to the timing difference in the contractual maturities of resources and liabilities. The MCO measures the maximum funding requirement the BDO Unibank Group may need to support its maturing obligations. To ensure that the BDO Unibank Group maintains a prudent and manageable level of cumulative negative gap, the BDO Unibank Group maintains a pool of high-quality liquid assets in the form of tradable investment securities. Moreover, the BOD has approved MCO Limits that primarily reflect the BDO Unibank Group's overall appetite for liquidity risk.

These limits are reviewed every year, and compliance with the MCO framework is monitored and regularly reported to the BOD and senior management.

In case of breach in the MCO Limit, the RMG elevates the concern to the BOD through the RMC for appropriate corrective action by senior management. Additional measures to mitigate liquidity risks include monitoring funding concentration, short-term liquidity reporting, assessing available funding sources, and conducting liquid assets analysis. Projected funding sources and requirements, as well as pricing strategies are also discussed thoroughly during weekly ALCO meetings.

Pursuant to applicable BSP regulations, the BDO Unibank Group is required to maintain reserves against deposit liabilities using prescribed reserve ratios. These required reserves must be held in the form of deposits placed in the BDO Unibank Group's demand deposit accounts with the BSP. The BSP also requires the BDO Unibank Group to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDO.

4.1.1 Liquidity Risk Stress

To strengthen the effectiveness of its liquidity gap analysis, the BDO Unibank Group regularly performs liquidity stress testing based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the BDO Unibank Group are assessed for a minimum 30-day stress period for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported to RMC on a monthly basis.

4.1.2 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives outlined in this section also apply to the management of any foreign currency to which the BDO Unibank Group maintains significant exposure. The BDO Unibank Group ensures that its measurement, monitoring and control systems fully account for such exposures. The BDO Unibank Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and on an aggregate basis across appropriate time horizons. The BDO Unibank Group also assesses its access to foreign exchange markets when establishing its risk limits.

4.2 Market Risk

Market risk is the risk of potential loss arising from movements in the prices of financial instruments. The BDO Unibank Group's market risk exposure primarily arises from its holdings of foreign exchange instruments, debt securities, equity securities and derivatives. The BDO Unibank Group manages this risk by identifying, analyzing and measuring relevant or foreseeable sources of market risks. The Market and Liquidity Risk Management Unit of the Parent Bank recommends market risk limits based on relevant activity indicators for approval by BDO Unibank Group's RMC and the BOD.

4.2.1 Foreign Exchange Risk

The BDO Unibank Group manages the impact of fluctuations in foreign currency exchange rates by maintaining its foreign currency exposure regulatory limits and at levels it considers prudent for a financial institution engaged in foreign exchange activities.

The BDO Unibank Group's net foreign exchange exposure is computed as the difference between its foreign currency-denominated resources and liabilities. BSP regulations impose a cap of 25% of qualifying capital or US\$150 million, whichever is lower, on a bank's consolidated net open foreign exchange position. The BDO Unibank Group's foreign exchange exposure is primarily limited to the day-to-day over-the-counter buying and selling of foreign exchange in its branches, as well as foreign exchange dealings with corporate clients and other financial institutions. The BDO Unibank Group, being a major market participant in the Philippine Dealing System, may also engage in proprietary trading to take advantage of foreign exchange movements.

End-of-day foreign exchange exposures are monitored against limits set in the BDO Unibank Group's Risk Management Manual, which are aligned with BSP-prescribed ceilings. The BDO Unibank Group reports its compliance with these limits on a daily basis. In addition, it also reports on the foreign currency positions of its subsidiaries. The breakdown of the financial assets and financial liabilities as to foreign and peso-denominated balances as of December 31, 2025 and 2024 is as follows.

BDO Unibank Group

<i>(Amounts in PHP)</i>	2025			2024		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items and due from BSP	87	329,099	329,186	112	359,225	359,337
Due from other banks - net	101,244	10,132	111,376	83,859	6,589	90,448
Trading and investment securities:						
At FVTPL	8,197	25,330	33,527	7,440	20,489	27,929
At FVOCI	171,700	164,887	336,587	124,185	148,040	272,225
At amortized cost	228,711	385,868	614,579	188,376	387,578	575,954
Investment securities and other assets for life insurance contracts - net						
Loans and other receivables	11,082	121,678	132,760	9,824	107,818	117,642
Other resources	302,688	3,391,820	3,694,508	325,754	2,946,764	3,272,518
	11,602	1,717	13,319	10,322	1,481	11,803
	835,311	4,430,531	5,265,842	749,872	3,977,984	4,727,856
Liabilities:						
Deposit liabilities	502,336	3,687,455	4,189,791	474,428	3,319,599	3,794,027
Bills payable	153,165	198,653	351,818	121,451	140,019	261,470
Insurance contract and other liabilities for life insurance contracts						
Other liabilities	8,818	92,378	101,196	8,316	82,699	91,015
	11,191	122,239	133,430	14,761	125,028	139,789
	675,510	4,100,725	4,776,235	618,956	3,667,345	4,286,301

Parent Bank

<i>(Amounts in PHP)</i>	2025			2024		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items and due from BSP	39	321,777	321,816	62	352,520	352,582
Due from other banks - net	97,088	403	97,491	77,090	421	77,511
Trading and investment securities:						
At FVTPL	5,228	20,373	25,601	6,047	15,927	21,974
At FVOCI	170,915	157,216	328,131	122,742	139,147	261,889
At amortized cost	224,926	369,670	594,596	183,854	372,271	556,125
Loans and other receivables	301,620	3,265,245	3,566,865	325,115	2,843,642	3,168,757
Other resources	11,594	1,165	12,759	10,300	1,162	11,462
	811,410	4,135,849	4,947,259	725,210	3,725,090	4,450,300
Liabilities:						
Deposit liabilities	496,094	3,573,368	4,069,462	465,240	3,220,812	3,686,052
Bills payable	153,013	171,514	324,527	120,720	119,568	240,288
Other liabilities	10,575	111,533	122,108	14,490	114,556	129,046
	659,682	3,856,415	4,516,097	600,450	3,454,936	4,055,386

4.2.2 Interest Rate Risk

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

An interest rate gap report is prepared by classifying all resources and liabilities into various time buckets according to contracted maturities if fixed or anticipated repricing dates if floating, or based on behavioral assumptions if more applicable. In the interest rate gap presented, loans and investments are profiled based on next repricing if floating or contracted maturity if fixed rate while non-maturity deposit liabilities are considered non-rate sensitive. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give BDO Unibank Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. Interest rate financial instruments (e.g., interest rate derivatives) may be used to hedge the interest rate exposures in the Banking Book. There are, however, no outstanding interest rate derivatives used as hedges in the Banking Book.

The analyses of the groupings of resources, liabilities and off-book items as of December 31, 2025 and 2024 based on the expected interest realization or recognition are shown below and in the succeeding pages.

BDO Unibank Group

	2025					Total
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	
<i>(Amounts in PHP)</i>						
Resources:						
Cash and other cash items	-	-	-	-	119,359	119,359
Due from BSP and other banks - net	65,994	2,389	-	-	252,820	321,203
Trading and investment securities - net	56,715	51,998	524,969	317,483	33,528	984,693
Loans and other receivables - net	1,979,283	610,067	984,731	118,175	2,252	3,694,508
Investment securities and other assets for life insurance contracts - net	2,238	5,332	25,141	58,761	45,342	136,814
Other resources - net*	-	2	5	-	174,972	174,979
Total Resources	2,104,230	669,788	1,534,846	494,419	628,273	5,431,556
Liabilities and Equity:						
Deposit liabilities	1,766,880	308,570	13,326	886	2,100,129	4,189,791
Bills payable	176,155	27,611	148,052	-	-	351,818
Insurance contract and other liabilities for life insurance contracts**	2,458	(2,845)	(2,267)	74,910	29,339	101,595
Other liabilities	-	11,961	1,385	5	130,855	144,206
Total Liabilities	1,945,493	345,297	160,496	75,801	2,260,323	4,787,410
Equity	-	-	-	-	644,146	644,146
Total Liabilities and Equity <i>(Balance carried forward)</i>	1,945,493	345,297	160,496	75,801	2,904,469	5,431,556

* Other resources include Premises, Furniture, Fixtures and Equipment - net, Investment Properties - net, Equity Investments - net, and Other Resources - net.

** Insurance Contract and Other Liabilities for Life Insurance Contracts with maturities of more than three months to one year and more than one year to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

BDO Unibank Group

	2025					
<i>(Amounts in PHP)</i>	<u>One to Three Months</u>	<u>More Than Three Months to One Year</u>	<u>More Than One Year to Five Years</u>	<u>More Than Five Years</u>	<u>Non-rate Sensitive</u>	<u>Total</u>
Total Liabilities and Equity <i>(Balance brought forward)</i>	1,945,493	345,297	160,496	75,801	2,904,469	5,431,556
On-book gap	158,737	324,491	1,374,350	418,618	(2,276,196)	-
Cumulative on-book gap	158,737	455,512	1,857,578	2,276,196	-	-
Contingent assets	9,194	5,901	523	-	-	15,618
Contingent liabilities	15,082	-	523	-	-	15,605
Off-book gap	(5,888)	5,901	-	-	-	13
Net Periodic Gap	152,849	330,392	1,374,350	418,618	(2,276,196)	(13)
Cumulative Total Gap	152,849	483,241	1,857,591	2,276,209	13	-

	2024					
<i>(Amounts in PHP)</i>	<u>One to Three Months</u>	<u>More Than Three Months to One Year</u>	<u>More Than One Year to Five Years</u>	<u>More Than Five Years</u>	<u>Non-rate Sensitive</u>	<u>Total</u>
Resources:						
Cash and other cash items	-	-	-	-	109,744	109,744
Due from BSP and other banks - net	54,837	2,476	-	-	282,728	340,041
Trading and investment securities - net	93,212	66,782	384,359	303,826	27,929	876,108
Loans and other receivables - net	1,709,633	515,177	934,694	122,546	(9,532)	3,272,518
Investment securities and other assets for life insurance contracts - net	1,494	4,514	22,326	49,552	44,025	121,911
Other resources - net*	-	2	3	-	155,723	155,728
Total Resources	1,859,176	588,951	1,341,382	475,924	610,617	4,876,050
Liabilities and Equity:						
Deposit liabilities	1,533,289	228,105	13,091	383	2,019,159	3,794,027
Bills payable	80,624	85,412	95,434	-	-	261,470
Insurance contract and other liabilities for life insurance contracts**	2,556	(3,893)	(2,242)	64,880	30,170	91,471
Other liabilities	-	200	1,317	2,508	147,662	151,687
Total Liabilities	1,616,469	309,824	107,600	67,771	2,196,991	4,298,655
Equity	-	-	-	-	577,395	577,395
Total Liabilities and Equity	1,616,469	309,824	107,600	67,771	2,774,386	4,876,050
On-book gap	242,707	279,127	1,233,782	408,153	(2,163,769)	-
Cumulative on-book gap	242,707	521,834	1,755,616	2,163,769	-	-
Contingent assets	62,007	292	-	-	-	62,299
Contingent liabilities	37,183	-	24,584	-	-	61,767
Off-book gap	24,824	292	(24,584)	-	-	532
Net Periodic Gap	267,531	279,419	1,209,198	408,153	(2,163,769)	(532)
Cumulative Total Gap	267,531	546,950	1,756,148	2,164,301	532	-

* Other resources include Premises, Furniture, Fixtures and Equipment - net, Investment Properties - net, Equity Investments - net, and Other Resources - net.

** Insurance Contract and Other Liabilities for Life Insurance Contracts with maturities of more than three months to one year and more than one year to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Parent Bank

	2025					
<i>(Amounts in PHP)</i>	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and other cash items	-	-	-	-	113,349	113,349
Due from BSP and other banks - net	57,381	-	-	-	248,577	305,958
Trading and investment securities - net	52,512	51,220	511,192	307,803	25,601	948,328
Loans and other receivables - net	1,975,175	595,242	885,093	111,355	-	3,566,865
Other resources - net*	-	-	-	-	232,740	232,740
Total Resources	2,085,068	646,462	1,396,285	419,158	620,267	5,167,240
Liabilities and Equity:						
Deposit liabilities	1,742,724	303,643	13,216	886	2,008,993	4,069,462
Bills payable	158,685	14,498	151,344	-	-	324,527
Other liabilities	-	11,758	-	-	119,645	131,403
Total Liabilities	1,901,409	329,899	164,560	886	2,128,638	4,525,392
Equity	-	-	-	-	641,848	641,848
Total Liabilities and Equity	1,901,409	329,899	164,560	886	2,770,486	5,167,240
On-book gap	183,659	316,563	1,231,725	418,272	(2,150,219)	-
Cumulative on-book gap	183,659	500,222	1,731,947	2,150,219	-	-
Contingent assets	4,641	8,930	-	-	-	13,571
Contingent liabilities	4,638	8,909	-	-	-	13,547
Off-book gap	3	21	-	-	-	24
Net Periodic Gap	183,662	316,584	1,231,725	418,272	(2,150,219)	(24)
Cumulative Total Gap	183,662	500,246	1,731,971	2,150,243	24	-
	2024					
<i>(Amounts in PHP)</i>	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and other cash items	-	-	-	-	105,767	105,767
Due from BSP and other banks - net	45,000	-	-	-	279,326	324,326
Trading and investment securities - net	91,586	63,829	369,183	293,415	21,975	839,988
Loans and other receivables - net	1,707,596	504,686	852,816	103,659	-	3,168,757
Other resources - net*	-	-	-	-	202,360	202,360
Total Resources	1,844,182	568,515	1,221,999	397,074	609,428	4,641,198
Liabilities and Equity:						
Deposit liabilities	1,502,972	224,217	17,189	374	1,941,300	3,686,052
Bills payable	68,513	74,125	97,650	-	-	240,288
Other liabilities	-	-	-	-	139,543	139,543
Total Liabilities	1,571,485	298,342	114,839	374	2,080,843	4,065,883
Equity	-	-	-	-	575,315	575,315
Total Liabilities and Equity	1,571,485	298,342	114,839	374	2,656,158	4,641,198
On-book gap <i>(Balance carried forward)</i>	272,697	270,173	1,107,160	396,700	(2,046,730)	-

* Other resources include Premises, Furniture, Fixtures and Equipment - net, Investment Properties - net, Equity Investments - net, and Other Resources - net.

Parent Bank

<i>(Amounts in PHP)</i>	2024					Total
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	
On-book gap <i>(Balance brought forward)</i>	272,697	270,173	1,107,160	396,700	(2,046,730)	-
Cumulative on-book gap	272,697	542,870	1,650,030	2,046,730	-	-
Contingent assets	57,210	3,447	-	-	-	60,657
Contingent liabilities	56,700	3,447	-	-	-	60,147
Off-book gap	510	-	-	-	-	510
Net Periodic Gap	273,207	270,173	1,107,160	396,700	(2,046,730)	(510)
Cumulative Total Gap	273,207	543,380	1,650,540	2,047,240	510	-

The BDO Unibank Group and the Parent Bank's market risk management limits are generally categorized as follows:

- Value-at-risk (VaR) – RMG computes the VaR benchmarked at a level, which is a percentage of projected earnings. The BDO Unibank Group and the Parent Bank use the VaR model to estimate the potential daily loss from their trading book at a 99% confidence level, based on several assumptions. The measurement is designed such that breaches of limits are expected to occur only under very exceptional circumstances.
- Stop loss – RMG sets limits on potential losses from each risk-bearing activity based on a percentage of the budgeted annual income for such activity.
- Nominal position – RMG prescribes nominal position limits to prevent over-trading, avoid excessive concentration, and restrict financial losses in conjunction with other established limits.
- Trading volume – RMG sets transaction volume limits for personnel at various levels, aligned with the rank and authority of the employee making the risk-bearing decision.
- Earnings-at-risk (EAR) – RMG computes the EAR based on the repricing profile of the Banking Book and benchmarks against projected annual net interest income and capital.

VaR is one of the key measures used by the BDO Unibank Group and Parent Bank in managing market risk. VaR is defined as a statistical estimate of the maximum potential loss on a given position over a specified time horizon at a defined confidence interval. The BDO Unibank Group and the Parent Bank use a 99% confidence level and a 260-day observation period in VaR calculation. VaR limits set as a percentage of projected earnings, serve as an early warning mechanism for senior management when portfolio risk levels approach or exceed tolerable thresholds. Because VaR is sensitive to market volatility, it therefore allows management to react quickly and adjust its portfolio strategies in accordance with its risk philosophy and appetite. The VaR model is periodically validated through back-testing. While VaR is an important tool for measuring market risk, it is subject to inherent limitations arising from its underlying assumptions. To address these limitations, the BDO Unibank Group and the Parent Bank supplement VaR limits with additional position and sensitivity limits, including those designed to manage potential concentration risks within each trading portfolio. In addition, a wide range of stress tests is performed to assess the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the BDO Unibank Group and the Parent Bank's overall position. Stress VaR is also computed across all portfolios as a complementary risk measure.

While VaR deals with risk during times of normality, stress testing is used to measure the potential effect of a crisis or low probability event.

A summary of the VaR position of the trading portfolios at December 31 follows:

<i>(Amounts in PHP)</i>	2025		2024	
	VaR	Stress VaR	VaR	Stress VaR
<u>BDO Unibank Group</u>				
Foreign currency risk	(10)	(136)	(20)	(261)
Interest rate risk – Peso	(104)	(3,330)	(38)	(992)
Interest rate risk – USD	(21)	(380)	(11)	(182)
	<u>(135)</u>	<u>(3,846)</u>	<u>(69)</u>	<u>(1,435)</u>
<u>Parent Bank</u>				
Foreign currency risk	(9)	(134)	(20)	(258)
Interest rate risk – Peso	(103)	(3,294)	(37)	(948)
Interest rate risk – USD	(19)	(298)	(9)	(160)
	<u>(131)</u>	<u>(3,726)</u>	<u>(66)</u>	<u>(1,366)</u>

For the BDO Unibank Group, the earnings perspective using the EAR approach is the more relevant measure for assessing interest rate risks in the Banking Book. This is consistent with the “going concern” assumption and reflects the focus on net interest income as the primary component of earnings affected by interest rate movements.

EAR measures the potential volatility of earnings arising from accrual portfolios. The appropriate yield curve used is the relevant benchmark rate and the volatilities of the relevant benchmark interest rate curve are calculated similar to the method employed for VaR. The volatility calculations make use of actual pre-defined time series data using five-years’ worth of yearly changes, at the 99% confidence level. EAR is measured monthly. The EAR Stress Test uses a 300-basis-points increase in USD interest rates and 400-basis-points increase in Peso interest rates.

The EAR before tax, under both rising and declining interest rate scenarios for financial assets and liabilities repriced during 2025 and 2024, is shown below and in the succeeding page.

BDO Unibank Group

<i>(Amounts in PHP)</i>	2025			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	<u>(2,480)</u>	<u>2,480</u>	<u>(1,240)</u>	<u>1,240</u>
As a percentage of the BDO Unibank Group’s net interest income	<u>(1.22%)</u>	<u>1.22%</u>	<u>(0.61%)</u>	<u>0.61%</u>
EAR	<u>24,930</u>			
As a percentage of the BDO Unibank Group’s net interest income	<u>12.28%</u>			
Average (1yr) EAR	<u>23,061</u>			
Average (1yr) Stress EAR	<u>28,834</u>			

BDO Unibank Group

<i>(Amounts in PHP)</i>	2024			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	<u>(3,063)</u>	<u>3,063</u>	<u>(1,532)</u>	<u>1,532</u>
As a percentage of the BDO Unibank Group's net interest income	<u>(1.64%)</u>	<u>1.64%</u>	<u>(0.82%)</u>	<u>0.82%</u>
EAR	<u>22,690</u>			
As a percentage of the BDO Unibank Group's net interest income	<u>12.16%</u>			
Average (1yr) EAR	<u>17,867</u>			
Average (1yr) Stress EAR	<u>21,355</u>			

Parent Bank

<i>(Amounts in PHP)</i>	2025			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	<u>(2,756)</u>	<u>2,756</u>	<u>(1,378)</u>	<u>1,378</u>
As a percentage of the Parent Bank's net interest income	<u>(1.43)</u>	<u>1.43%</u>	<u>(0.72%)</u>	<u>0.72%</u>
EAR	<u>25,347</u>			
As a percentage of the Parent Bank's net interest income	<u>13.16%</u>			
Average (1yr) EAR	<u>23,595</u>			
Average (1yr) Stress EAR	<u>43,643</u>			

<i>(Amounts in PHP)</i>	2024			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	<u>(3,301)</u>	<u>3,301</u>	<u>(1,650)</u>	<u>1,650</u>
As a percentage of the Parent Bank's net interest income	<u>(1.85%)</u>	<u>1.85%</u>	<u>(0.92%)</u>	<u>0.92%</u>
EAR	<u>23,047</u>			
As a percentage of the Parent Bank's net interest income	<u>12.82%</u>			
Average (1yr) EAR	<u>18,067</u>			
Average (1yr) Stress EAR	<u>28,228</u>			

4.2.3 Price Risk

The BDO Unibank Group and the Parent Bank are exposed to equity securities price risk arising from their investments in equity securities classified in the statement of financial position as either financial assets at FVOCI or financial assets at FVTPL. The BDO Unibank Group and the Parent Bank have no exposure to commodity price risk. To manage the price risk arising from its investments in listed equity securities, the BDO Unibank Group maintains a diversified portfolio. Portfolio diversification is carried out in accordance with limits approved by the BDO Unibank Group.

The table below summarizes the impact of equity prices on listed equity securities classified as financial assets at FVTPL and financial assets at FVOCI on the BDO Unibank Group and the Parent Bank's net profit after tax and equity as of December 31, 2025 and 2024. The results are based on the volatility assumption of the benchmark equity index, which was 4.01% and 2.58% in 2025 and 2024, respectively, with all other variables held constant, and all the BDO Unibank Group and the Parent Bank's equity instruments move in line with their historical correlation to the benchmark index.

<i>(Amounts in PHP)</i>	Impact on Net Profit After Tax			Impact on Other Comprehensive Income		
	Increase			Increase		
	2025	2024	2023	2025	2024	2023
<u>BDO Unibank Group</u>						
Financial assets at FVTPL	-	284	609	-	-	-
Financial assets at FVOCI	-	-	-	421	340	114
	<u>-</u>	<u>284</u>	<u>609</u>	<u>421</u>	<u>340</u>	<u>114</u>
<u>Parent Bank</u>						
Financial assets at FVOCI	-	-	-	26	12	36

4.3 Credit Risk

Credit risk is the risk that a counterparty may fail to meet its contractual obligations, resulting in a financial loss to the BDO Unibank Group. This risk arises from lending, trade finance, treasury, derivatives, and other business activities undertaken by the BDO Unibank Group. RMG performs several key functions with respect to credit risk management, including conducting credit analysis, assigning and validating risk ratings for corporate accounts, and developing as well as monitoring the performance of credit risk rating and scoring models for both corporate and consumer loans. RMG also ensures that BDO Unibank Group's credit policies and procedures remain adequate to meet the demands of the business.

RMG also subjects the loan portfolio to a regular portfolio quality review, credit portfolio stress testing and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

BDO Unibank Group manages the level of credit risk it undertakes by establishing limits on the amount of risk acceptable for a single borrower, or a group of related borrowers. These exposures are monitored on a regular basis and subject to an annual review, or more frequently, as necessary. Approval for credit limits is secured from the Credit Committee. For industry segments, limits and exposures are monitored and reported to the RMC.

Exposure to credit risk is managed through regular assessments of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral or corporate and personal guarantees.

4.3.1 Credit Risk Assessment

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

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

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

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

(a) Pass/Current

These are credit exposures that do not exhibit greater-than-normal risk and do not possess the characteristics of adversely classified loans. Borrowers under this category demonstrate the ability to satisfy their obligations in full, and no loss in ultimate collection is anticipated. These credits are adequately secured by readily marketable collateral or other acceptable forms of support security, or are supported by sufficient favorable credit and financial information to assure repayment as agreed.

(b) Watchlisted

Since early identification of troublesome or potential accounts is vital in portfolio management, a "Watchlisted" classification of credit accounts is maintained. These accounts are not considered adversely classified but they require closer-than-normal monitoring to prevent deterioration into more severe classifications.

(c) Adversely Classified

Past due or individually impaired financial assets comprise accounts under the following loan classification:

(i) Especially Mentioned (EM)

It is an adverse classification of loans/accounts that have potential weaknesses that warrant management's close attention. If left unaddressed, these weaknesses may adversely affect the borrower's ability to repay the loan.

(ii) *Substandard*

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

(iii) *Doubtful*

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

(iv) *Loss*

Accounts classified as “Loss” are individual credits or portions thereof, which are considered uncollectible or worthless, and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value.

This shall be viewed as a transitional category for loans and other credit accommodations, which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

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

4.3.2 Credit Quality Analysis

This section sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost and FVOCI debt investments. Unless specifically indicated for financial assets, the amounts represent gross carrying amounts. For loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2025 and 2024, there are no POCI financial assets in both BDO Unibank Group and Parent Bank’s statements of financial position.

The following tables show the exposure to credit risk as of December 31, 2025 and 2024 for each internal risk grade and the related allowance for ECL:

BDO Unibank Group

<i>(Amounts in PHP)</i>	2025			Total
	Stage 1	Stage 2	Stage 3	
Due from other banks				
Grades AAA to B : Pass/Current	111,424	-	-	111,424
ECL allowance	(48)	-	-	(48)
Carrying amount	<u>111,376</u>	<u>-</u>	<u>-</u>	<u>111,376</u>
Receivables from customers - corporate				
Grades AAA to B : Pass/Current	2,666,894	-	-	2,666,894
Grade B : Watchlisted	9	6,145	20	6,174
Grade C : EM	-	14,965	1,613	16,578
Grade D : Substandard	-	23,322	6,756	30,078
Grade E : Doubtful	-	-	6,635	6,635
Grade F : Loss	-	-	2,320	2,320
	<u>2,666,903</u>	<u>44,432</u>	<u>17,344</u>	<u>2,728,679</u>
ECL allowance	(6,532)	(28,969)	(12,511)	(48,012)
Carrying amount	<u>2,660,371</u>	<u>15,463</u>	<u>4,833</u>	<u>2,680,667</u>
Receivables from customers - consumer				
Grades AAA to B : Pass/Current	611,525	-	122	611,647
Grade B : Watchlisted	-	20	3	23
Grade C : EM	1,105	1,907	65	3,077
Grade D : Substandard	-	376	6,199	6,575
Grade E : Doubtful	-	-	7,374	7,374
Grade F : Loss	-	-	13,981	13,981
	<u>612,630</u>	<u>2,303</u>	<u>27,744</u>	<u>642,677</u>
ECL allowance	(3,693)	(510)	(7,136)	(11,339)
Carrying amount	<u>608,937</u>	<u>1,793</u>	<u>20,608</u>	<u>631,338</u>
Credit card receivables				
Grades AAA to B : Pass/Current	264,528	-	-	264,528
Grade D : Substandard	-	3,375	-	3,375
Grade E : Doubtful	-	-	1,702	1,702
Grade F : Loss	-	-	13,709	13,709
	<u>264,528</u>	<u>3,375</u>	<u>15,411</u>	<u>283,314</u>
ECL allowance	(9,900)	(2,028)	(12,561)	(24,489)
Carrying amount	<u>254,628</u>	<u>1,347</u>	<u>2,850</u>	<u>258,825</u>
Other receivables				
Grades AAA to B : Pass/Current	120,571	-	-	120,571
Grade D : Substandard	1,162	1,125	1,092	3,379
Grade E : Doubtful	-	-	616	616
Grade F : Loss	-	-	2,177	2,177
	<u>121,733</u>	<u>1,125</u>	<u>3,885</u>	<u>126,743</u>
ECL allowance	(417)	(58)	(2,590)	(3,065)
Carrying amount	<u>121,316</u>	<u>1,067</u>	<u>1,295</u>	<u>123,678</u>
Debt investment securities at				
amortized cost				
Grades AAA to B : Pass/Current	614,711	-	-	614,711
Grade E : Doubtful	-	-	1,325	1,325
Grade F : Loss	-	-	328	328
	<u>614,711</u>	<u>-</u>	<u>1,653</u>	<u>616,364</u>
ECL allowance	(132)	-	(1,653)	(1,785)
Carrying amount	<u>614,579</u>	<u>-</u>	<u>-</u>	<u>614,579</u>
Debt investment securities at FVOCI				
Grades AAA to B : Pass/Current	333,930	-	-	333,930
Grade E : Doubtful	-	-	121	121
	<u>333,930</u>	<u>-</u>	<u>121</u>	<u>334,051</u>
ECL allowance	-	-	(4)	(4)
Carrying amount	<u>333,930</u>	<u>-</u>	<u>117</u>	<u>334,047</u>

BDO Unibank Group

		2025			
<i>(Amounts in PHP)</i>		Stage 1	Stage 2	Stage 3	Total
Investment securities and other assets					
for life insurance contracts					
Grades AAA to B	: Pass/Current	88,121	-	-	88,121
Grade C	: EM	-	22	-	22
Grade D	: Substandard	-	-	25	25
Grade E	: Doubtful	-	-	49	49
Grade F	: Loss	-	-	202	202
		<u>88,121</u>	<u>22</u>	<u>276</u>	<u>88,419</u>
ECL allowance		<u>(9)</u>	<u>(2)</u>	<u>(34)</u>	<u>(45)</u>
Carrying amount		<u>88,112</u>	<u>20</u>	<u>242</u>	<u>88,374</u>
Loan commitments and other contingent accounts					
Grades AAA to B	: Pass/Current	70,182	-	-	70,182
Grade B	: Watchlisted	-	-	-	-
Grade C	: EM	-	353	-	353
Grade D	: Substandard	-	-	-	-
		<u>70,182</u>	<u>353</u>	<u>-</u>	<u>70,535</u>
ECL allowance		<u>(80)</u>	<u>-</u>	<u>-</u>	<u>(80)</u>
Carrying amount		<u>70,102</u>	<u>353</u>	<u>-</u>	<u>70,455</u>
		2024			
<i>(Amounts in PHP)</i>		Stage 1	Stage 2	Stage 3	Total
Due from other banks					
Grades AAA to B	: Pass/Current	90,485	-	-	90,485
ECL allowance		<u>(37)</u>	<u>-</u>	<u>-</u>	<u>(37)</u>
Carrying amount		<u>90,448</u>	<u>-</u>	<u>-</u>	<u>90,448</u>
Receivables from customers - corporate					
Grades AAA to B	: Pass/Current	2,370,326	-	-	2,370,326
Grade B	: Watchlisted	25	6,673	312	7,010
Grade C	: EM	-	28,697	1,995	30,692
Grade D	: Substandard	-	17,067	5,744	22,811
Grade E	: Doubtful	-	-	8,390	8,390
Grade F	: Loss	-	-	2,883	2,883
		<u>2,370,351</u>	<u>52,437</u>	<u>19,324</u>	<u>2,442,112</u>
ECL allowance		<u>(6,174)</u>	<u>(32,673)</u>	<u>(15,379)</u>	<u>(54,226)</u>
Carrying amount		<u>2,364,177</u>	<u>19,764</u>	<u>3,945</u>	<u>2,387,886</u>
Receivables from customers - consumers					
Grades AAA to B	: Pass/Current	539,154	-	105	539,259
Grade B	: Watchlisted	-	174	7	181
Grade C	: EM	8	1,629	22	1,659
Grade D	: Substandard	-	466	4,883	5,349
Grade E	: Doubtful	-	-	5,414	5,414
Grade F	: Loss	-	-	15,874	15,874
		<u>539,162</u>	<u>2,269</u>	<u>26,305</u>	<u>567,736</u>
ECL allowance		<u>(3,355)</u>	<u>(432)</u>	<u>(9,535)</u>	<u>(13,322)</u>
Carrying amount		<u>535,807</u>	<u>1,837</u>	<u>16,770</u>	<u>554,414</u>
Credit card receivables					
Grades AAA to B	: Pass/Current	198,246	-	-	198,246
Grade D	: Substandard	-	2,415	-	2,415
Grade E	: Doubtful	-	-	1,427	1,427
Grade F	: Loss	-	-	13,294	13,294
		<u>198,246</u>	<u>2,415</u>	<u>14,721</u>	<u>215,382</u>
ECL allowance		<u>(7,239)</u>	<u>(1,465)</u>	<u>(12,845)</u>	<u>(21,549)</u>
Carrying amount		<u>191,007</u>	<u>950</u>	<u>1,876</u>	<u>193,833</u>

BDO Unibank Group

<i>(Amounts in PHP)</i>	2024			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Grades AAA to B : Pass/Current	134,595	-	-	134,595
Grade D : Substandard	54	211	897	1,162
Grade E : Doubtful	556	446	482	1,484
Grade F : Loss	25	-	2,113	2,138
	<u>135,230</u>	<u>657</u>	<u>3,492</u>	<u>139,379</u>
ECL allowance	<u>(523)</u>	<u>(55)</u>	<u>(2,416)</u>	<u>(2,994)</u>
Carrying amount	<u><u>134,707</u></u>	<u><u>602</u></u>	<u><u>1,076</u></u>	<u><u>136,385</u></u>
Debt investment securities at amortized cost				
Grades AAA to B : Pass/Current	576,083	-	-	576,083
Grade E : Doubtful	-	-	1,656	1,656
Grade F : Loss	-	60	267	327
	<u>576,083</u>	<u>60</u>	<u>1,923</u>	<u>578,066</u>
ECL allowance	<u>(129)</u>	<u>(60)</u>	<u>(1,923)</u>	<u>(2,112)</u>
Carrying amount	<u><u>575,954</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>575,954</u></u>
Debt investment securities at FVOCI				
Grades AAA to B : Pass/Current	270,029	-	-	270,029
Grade E : Doubtful	-	-	119	119
	<u>270,029</u>	<u>-</u>	<u>119</u>	<u>270,148</u>
ECL allowance	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>(4)</u>
Carrying amount	<u><u>270,029</u></u>	<u><u>-</u></u>	<u><u>115</u></u>	<u><u>270,144</u></u>
Investment securities and other assets for life insurance contracts				
Grades AAA to B : Pass/Current	74,799	-	-	74,799
Grade C : EM	-	27	-	27
Grade D : Substandard	-	-	21	21
Grade E : Doubtful	-	-	74	74
Grade F : Loss	-	-	166	166
	<u>74,799</u>	<u>27</u>	<u>261</u>	<u>75,087</u>
ECL allowance	<u>(11)</u>	<u>(2)</u>	<u>(33)</u>	<u>(46)</u>
Carrying amount	<u><u>74,788</u></u>	<u><u>25</u></u>	<u><u>228</u></u>	<u><u>75,041</u></u>
Loan commitments and other contingent accounts				
Grades AAA to B : Pass/Current	736,794	-	-	736,794
Grade C : EM	-	347	-	347
	<u>736,794</u>	<u>347</u>	<u>-</u>	<u>737,141</u>
ECL allowance	<u>(89)</u>	<u>(29)</u>	<u>-</u>	<u>(118)</u>
Carrying amount	<u><u>736,705</u></u>	<u><u>318</u></u>	<u><u>-</u></u>	<u><u>737,023</u></u>

The table below sets out the credit quality of trading debt securities of the BDO Unibank Group measured at FVTPL (see Note 10.1).

<i>(Amounts in PHP)</i>	2025	2024
Grade:		
AAA	20,637	16,502
AA+ to AA	3,933	847
A+ to A-	78	-
BBB+ to BBB-	1,796	1,151
	26,444	18,500

The table below shows an analysis of counterparty credit exposures arising from derivative transactions of the BDO Unibank Group. Outstanding derivative exposures to counterparties are generally with investment grade counterparty banks. Derivative transactions with non-bank counterparties are on a fully secured basis.

<i>(Amounts in PHP)</i>	Total		Exchange-traded		Over-the-counter			
					Central Counterparties		Other Bilateral Collateralized	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
2025								
Derivative assets	263,378	5,985	4,621	82	222,805	2,022	35,952	3,881
Derivative liabilities	306,285	6,080	4,621	107	263,725	2,418	37,939	3,555
2024								
Derivative assets	323,067	8,291	566	18	300,238	4,615	22,263	3,658
Derivative liabilities	264,772	6,361	566	13	240,591	3,077	23,615	3,271

As of December 31, 2025 and 2024, the BDO Unibank Group held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P440,562 and P449,785, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on external rating agencies.

Parent Bank

<i>(Amounts in PHP)</i>	2025			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Grades AAA to B : Pass/Current	97,534	-	-	97,534
ECL allowance	(43)	-	-	(43)
Carrying amount	97,491	-	-	97,491
Receivables from customers - corporate				
Grades AAA to B : Pass/Current	2,658,162	-	-	2,658,162
Grade B : Watchlisted	-	6,141	20	6,161
Grade C : EM	-	14,964	1,613	16,577
Grade D : Substandard	-	23,299	6,744	30,043
Grade E : Doubtful	-	-	6,602	6,602
Grade F : Loss	-	-	2,318	2,318
	2,658,162	44,404	17,297	2,719,863
ECL allowance	(6,522)	(28,947)	(12,505)	(47,974)
Carrying amount	2,651,640	15,457	4,792	2,671,889

Parent Bank

<i>(Amounts in PHP)</i>	2025			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - consumer				
Grades AAA to B : Pass/Current	492,789	-	-	492,789
Grade B : Watchlisted	-	20	3	23
Grade C : EM	-	1,847	5	1,852
Grade D : Substandard	-	1	6,087	6,088
Grade E : Doubtful	-	-	6,928	6,928
Grade F : Loss	-	-	10,661	10,661
	<u>492,789</u>	<u>1,868</u>	<u>23,684</u>	<u>518,341</u>
ECL allowance	<u>(3,251)</u>	<u>(410)</u>	<u>(5,032)</u>	<u>(8,693)</u>
Carrying amount	<u>489,538</u>	<u>1,458</u>	<u>18,652</u>	<u>509,648</u>
Credit card receivables				
Grades AAA to B : Pass/Current	264,528	-	-	264,528
Grade D : Substandard	-	3,375	-	3,375
Grade E : Doubtful	-	-	1,702	1,702
Grade F : Loss	-	-	13,709	13,709
	<u>264,528</u>	<u>3,375</u>	<u>15,411</u>	<u>283,314</u>
ECL allowance	<u>(9,900)</u>	<u>(2,028)</u>	<u>(12,561)</u>	<u>(24,489)</u>
Carrying amount	<u>254,628</u>	<u>1,347</u>	<u>2,850</u>	<u>258,825</u>
Other receivables				
Grade AAA to B : Pass/Current	124,308	-	-	124,308
Grade D : Substandard	1,131	872	435	2,438
Grade E : Doubtful	-	-	564	564
Grade F : Loss	-	-	1,992	1,992
	<u>125,439</u>	<u>872</u>	<u>2,991</u>	<u>129,302</u>
ECL allowance	<u>(371)</u>	<u>(58)</u>	<u>(2,370)</u>	<u>(2,799)</u>
Carrying amount	<u>125,068</u>	<u>814</u>	<u>621</u>	<u>126,503</u>
Debt investment securities at amortized cost				
Grades AAA to B : Pass/Current	594,725	-	-	594,725
Grade E : Doubtful	-	-	1,325	1,325
Grade F : Loss	-	-	328	328
	<u>594,725</u>	<u>-</u>	<u>1,653</u>	<u>596,378</u>
ECL allowance	<u>(129)</u>	<u>-</u>	<u>(1,653)</u>	<u>(1,782)</u>
Carrying amount	<u>594,596</u>	<u>-</u>	<u>-</u>	<u>594,596</u>
Debt investment securities at FVOCI				
Grades AAA to B : Pass/Current	325,884	-	-	325,884
Grade E : Doubtful	-	-	121	121
	<u>325,884</u>	<u>-</u>	<u>121</u>	<u>326,005</u>
ECL allowance	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>(4)</u>
Carrying amount	<u>325,884</u>	<u>-</u>	<u>117</u>	<u>326,001</u>
Loan commitments and other contingent accounts				
Grades AAA to B : Pass/Current	70,182	-	-	70,182
Grade C : EM	-	353	-	353
	<u>70,182</u>	<u>353</u>	<u>-</u>	<u>70,535</u>
ECL allowance	<u>(80)</u>	<u>-</u>	<u>-</u>	<u>(80)</u>
Carrying amount	<u>70,102</u>	<u>353</u>	<u>-</u>	<u>70,455</u>
(Amounts in PHP)				
	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Grades AAA to B : Pass/Current	77,542	-	-	77,542
ECL allowance	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>(31)</u>
Carrying amount	<u>77,511</u>	<u>-</u>	<u>-</u>	<u>77,511</u>

Parent Bank

	2024			
	Stage 1	Stage 2	Stage 3	Total
<i>(Amounts in PHP)</i>				
Receivables from customers - corporate				
Grades AAA to B : Pass/Current	2,362,363	-	-	2,362,363
Grade B : Watchlisted	-	6,673	312	6,985
Grade C : EM	-	28,675	1,995	30,670
Grade D : Substandard	-	17,045	5,744	22,789
Grade E : Doubtful	-	-	8,390	8,390
Grade F : Loss	-	-	2,878	2,878
	<u>2,362,363</u>	<u>52,393</u>	<u>19,319</u>	<u>2,434,075</u>
ECL allowance	<u>(6,164)</u>	<u>(32,643)</u>	<u>(15,377)</u>	<u>(54,184)</u>
Carrying amount	<u><u>2,356,199</u></u>	<u><u>19,750</u></u>	<u><u>3,942</u></u>	<u><u>2,379,891</u></u>
Receivables from customers - consumer				
Grades AAA to B : Pass/Current	447,228	-	-	447,228
Grade B : Watchlisted	-	174	7	181
Grade C : EM	-	1,590	-	1,590
Grade D : Substandard	-	-	4,855	4,855
Grade E : Doubtful	-	-	5,068	5,068
Grade F : Loss	-	-	13,036	13,036
	<u>447,228</u>	<u>1,764</u>	<u>22,966</u>	<u>471,958</u>
ECL allowance	<u>(2,970)</u>	<u>(354)</u>	<u>(7,598)</u>	<u>(10,922)</u>
Carrying amount	<u><u>444,258</u></u>	<u><u>1,410</u></u>	<u><u>15,368</u></u>	<u><u>461,036</u></u>
Credit card receivables				
Grades AAA to B : Pass/Current	198,246	-	-	198,246
Grade D : Substandard	-	2,415	-	2,415
Grade E : Doubtful	-	-	1,427	1,427
Grade F : Loss	-	-	13,294	13,294
	<u>198,246</u>	<u>2,415</u>	<u>14,721</u>	<u>215,382</u>
ECL allowance	<u>(7,239)</u>	<u>(1,465)</u>	<u>(12,845)</u>	<u>(21,549)</u>
Carrying amount	<u><u>191,007</u></u>	<u><u>950</u></u>	<u><u>1,876</u></u>	<u><u>193,833</u></u>
Other receivables				
Grade AAA to B : Pass/Current	132,756	-	-	132,756
Grade D : Substandard	53	77	490	620
Grade E : Doubtful	556	446	465	1,467
Grade F : Loss	-	-	1,913	1,913
	<u>133,365</u>	<u>523</u>	<u>2,868</u>	<u>136,756</u>
ECL allowance	<u>(476)</u>	<u>(55)</u>	<u>(2,228)</u>	<u>(2,759)</u>
Carrying amount	<u><u>132,889</u></u>	<u><u>468</u></u>	<u><u>640</u></u>	<u><u>133,997</u></u>
Debt investment securities at amortized cost				
Grades AAA to B : Pass/Current	556,251	-	-	556,251
Grade E : Doubtful	-	-	1,656	1,656
Grade F : Loss	-	60	267	327
	<u>556,251</u>	<u>60</u>	<u>1,923</u>	<u>558,234</u>
ECL allowance	<u>(126)</u>	<u>(60)</u>	<u>(1,923)</u>	<u>(2,109)</u>
Carrying amount	<u><u>556,125</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>556,125</u></u>
Debt investment securities at FVOCI				
Grades AAA to B : Pass/Current	259,858	-	-	259,858
Grade E : Doubtful	-	-	119	119
	<u>259,858</u>	<u>-</u>	<u>119</u>	<u>259,977</u>
ECL allowance	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>(4)</u>
Carrying amount	<u><u>259,858</u></u>	<u><u>-</u></u>	<u><u>115</u></u>	<u><u>259,973</u></u>
Loan commitments and other contingent accounts				
Grades AAA to B : Pass/Current	736,794	-	-	736,794
Grade C : EM	-	347	-	347
	<u>736,794</u>	<u>347</u>	<u>-</u>	<u>737,141</u>
ECL allowance	<u>(89)</u>	<u>(29)</u>	<u>-</u>	<u>(118)</u>
Carrying amount	<u><u>736,705</u></u>	<u><u>318</u></u>	<u><u>-</u></u>	<u><u>737,023</u></u>

The table below sets out the credit quality of trading debt securities of the Parent Bank measured at FVTPL (see Note 10.1).

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Grade:		
AAA	20,303	15,869
AA+ to AA	2,011	747
BBB+ to BBB-	1,182	724
	<u>23,496</u>	<u>17,340</u>

The table below shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Parent Bank are generally fully collateralized by cash.

<i>(Amounts in PHP)</i>	<u>Total</u>		<u>Exchange-traded</u>		<u>Over-the-counter</u>			
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Central Counterparties</u>		<u>Other Bilateral Collateralized</u>	
					<u>Notional Amount</u>	<u>Fair Value</u>	<u>Notional Amount</u>	<u>Fair Value</u>
<u>2025</u>								
Derivative assets	227,426	2,104	4,621	82	222,805	2,022	-	-
Derivative liabilities	268,346	2,525	4,621	107	263,725	2,418	-	-
<u>2024</u>								
Derivative assets	300,803	4,633	566	18	300,237	4,615	-	-
Derivative liabilities	241,157	3,090	566	13	240,591	3,077	-	-

As of December 31, 2025 and 2024, the Parent Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P419,307 and P430,093, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on external rating agencies.

4.3.3 Concentrations of Credit Risk

The BDO Unibank Group and the Parent Bank monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below and in the succeeding pages.

BDO Unibank Group

<i>(Amount in PHP)</i>	2025			
	<u>Cash and Cash Equivalents*</u>	<u>Receivables From Customers**</u>	<u>Trading and Investments Securities***</u>	<u>Investment Securities and Other Assets for Life Insurance Contracts</u>
Concentration by sector:				
Financial and insurance activities	516,496	322,111	326,048	8,618
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	671,027	4	1,538
Electricity, gas, steam and air-conditioning supply	-	510,172	22,857	766
Real estate activities	1	438,567	5,289	1,150
Wholesale and retail trade	-	452,004	74	-
Manufacturing	-	289,226	4,758	393
Information and communication	-	182,695	12,405	338
Transportation and storage	-	172,762	2,573	-
Construction	-	89,443	3,120	229
Education	-	103,984	-	-
Arts, entertainment and recreation	-	83,184	1,021	-
Water supply, sewerage waste management and remediation activities	-	58,228	351	-
Accommodation and food service activities	-	51,632	7,456	-
Human health and social work activities	-	56,513	2,669	-
Agriculture, forestry and fishing	-	30,483	8	-
Mining and quarrying	-	18,906	3,603	-
Administration and support services	-	11,163	1,011	-
Professional, scientific and technical services	-	8,369	13,178	-
Public administrative and defense, compulsory social security	-	982	6,258	-
Activities of extraterritorial organizations and bodies	-	-	543,398	-
Other service activities	323	103,219	23,841	84,709
	<u>516,820</u>	<u>3,654,670</u>	<u>979,922</u>	<u>97,741</u>
Concentration by location:				
Philippines	378,589	3,484,635	768,035	94,099
Foreign countries	138,231	170,035	211,887	3,642
	<u>516,820</u>	<u>3,654,670</u>	<u>979,922</u>	<u>97,741</u>

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.4).

**Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

***Trading and investment securities are reported as gross of allowance.

BDO Unibank Group

	2024			
<i>(Amount in PHP)</i>	Cash and Cash Equivalents*	Receivables From Customers**	Trading and Investments Securities***	Investment Securities and Other Assets for Life Insurance Contracts
Concentration by sector:				
Financial and insurance activities	547,752	256,720	240,478	6,392
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	567,360	1	2,031
Electricity, gas, steam and air-conditioning supply	-	405,938	20,084	1,477
Real estate activities	1	410,256	7,659	1,604
Wholesale and retail trade	-	397,620	41	-
Manufacturing	-	306,987	4,319	379
Information and communication	-	163,332	15,449	332
Transportation and storage	-	158,473	5,251	231
Construction	-	103,261	2,750	-
Education	-	82,186	-	-
Arts, entertainment and recreation	-	82,198	1,025	-
Water supply, sewerage waste management and remediation activities	-	52,768	515	-
Accommodation and food service activities	-	45,403	6,938	-
Human health and social work activities	-	39,406	2,460	-
Agriculture, forestry and fishing	-	35,865	-	-
Mining and quarrying	-	16,146	3,499	-
Administration and support services	-	10,226	1	-
Professional, scientific and technical services	742	9,210	11,035	-
Public administrative and defense, compulsory social security	-	1,069	176	-
Activities of extraterritorial organizations and bodies	-	-	523,739	-
Other service activities	315	80,806	26,040	69,639
	<u>548,810</u>	<u>3,225,230</u>	<u>871,460</u>	<u>82,085</u>
Concentration by location:				
Philippines	412,236	3,063,270	703,017	82,085
Foreign countries	136,574	161,960	168,443	-
	<u>548,810</u>	<u>3,225,230</u>	<u>871,460</u>	<u>82,085</u>

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.4).

**Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

***Trading and investment securities are reported as gross of allowance.

Parent Bank

	2025			2024		
	Cash and Cash Equivalents*	Receivables From Customers**	Trading and Investments Securities***	Cash and Cash Equivalents*	Receivables From Customers**	Trading and Investments Securities***
<i>(Amount in PHP)</i>						
Concentration by sector:						
Financial and insurance activities	493,233	321,961	315,191	528,755	256,560	229,850
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	662,833	4	-	562,270	1
Electricity, gas, steam and air-conditioning supply	-	509,801	22,857	-	405,545	20,084
Real estate activities	-	440,254	4,992	-	411,703	7,053
Wholesale and retail trade	-	441,808	74	-	389,472	41
Manufacturing	-	287,672	4,524	-	305,351	4,085
Information and communication	-	182,436	12,016	-	163,187	15,081
Transportation and storage	-	172,332	2,573	-	158,348	5,151
Construction	-	88,097	3,120	-	101,743	2,750
Arts, entertainment and recreation	-	83,177	1,021	-	82,192	1,025
Water supply, sewerage waste management and remediation activities	-	58,159	350	-	52,696	515
Accommodation and food service activities	-	51,127	7,456	-	45,063	6,938
Human health and social work activities	-	56,114	2,669	-	39,174	2,460
Agriculture, forestry and fishing	-	18,508	8	-	15,428	-
Mining and quarrying	-	18,617	3,603	-	16,003	3,499
Administration and support services	-	10,580	1,011	-	9,663	1
Education	-	8,852	-	-	8,899	-
Professional, scientific and technical services	-	8,290	13,178	742	9,127	11,036
Public administrative and defense, compulsory social security	-	967	6,258	-	1,002	177
Activities of extraterritorial organizations and bodies	-	-	543,398	-	-	523,739
Other service activities	-	99,933	3,361	-	87,989	4,200
	493,233	3,521,518	947,664	529,497	3,121,415	837,686
Concentration by location:						
Philippines	358,856	3,351,483	739,906	395,425	2,959,455	673,423
Foreign countries	134,377	170,035	207,758	134,072	161,960	164,263
	493,233	3,521,518	947,664	529,497	3,121,415	837,686

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.4).

** Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

***Trading and investment securities are reported as gross of allowance.

4.3.4 Collateral Held as Security and Other Credit Enhancements

The BDO Unibank Group and the Parent Bank hold collateral against credit exposures from customers in the form of mortgage interests over property, other registered securities over assets, financial collateral including deposits, debt and equity securities, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated periodically. Collateral generally is not held over from due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity.

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

Estimate of the fair value of collateral and other security enhancements held against the following credit exposures as of December 31, 2025 and 2024, as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Receivable from customers:				
Corporate:				
Property	1,030,027	898,649	1,022,992	892,521
Debt securities	45,995	84,218	45,995	84,218
Equity securities	190,127	200,021	190,127	200,021
Hold-out deposits	9,414	9,271	9,127	9,271
Others	97,368	102,780	97,072	102,435
	<u>1,372,931</u>	<u>1,294,939</u>	<u>1,365,313</u>	<u>1,288,466</u>
Consumer:				
Property	731,449	718,446	720,740	716,026
Debt securities	41	46	41	46
Equity securities	1	1	1	1
Hold-out deposits	1,076	534	649	534
Others	247,867	227,788	247,867	225,403
	<u>980,434</u>	<u>946,815</u>	<u>969,298</u>	<u>942,010</u>
Other receivables:				
Property	2,148	2,496	2,148	2,496
Others	21,665	25,000	21,665	25,000
	<u>23,813</u>	<u>27,496</u>	<u>23,813</u>	<u>27,496</u>
Investment securities and other assets for life insurance contracts:				
Property	4,505	5,437	-	-
	<u>2,381,683</u>	<u>2,274,687</u>	<u>2,358,424</u>	<u>2,257,972</u>

The BDO Unibank Group and the Parent Bank have acquired certain properties in settlement of loan account amounting to P9,886 and P9,664, respectively, in 2025 and P5,411 and P5,313, respectively, in 2024 (see Notes 14 and 17.4).

The BDO Unibank Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place.

The general creditworthiness of a corporate and individual customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 4.3.2). However, collateral provides additional security and the BDO Unibank Group generally requests that corporate and individual borrowers provide it. The BDO Unibank Group may take collateral in the form of a first charge over real estate, floating charges over all corporate and individual assets and other liens and guarantees.

While the BDO Unibank Group is focused on corporate and individual customers' creditworthiness, it continuously and regularly updates the valuation of collateral held against all loans to corporate and individual customers. Most frequent updating, however, is required when the loan is put on a watch list and the loan is monitored more closely. The same applies to credit-impaired loans, as the BDO Unibank Group obtains appraisals or valuation of collateral to provide input into determining the management credit risk actions.

(a) *Receivable from Customers and Other Receivables*

The net carrying amount of credit impaired receivables (under stages 2 and 3) and the value of identifiable collateral held against those loans and advances as of December 31, 2025 and 2024 are as follows:

	2025		2024	
	Net Carrying Amount	Identifiable Collateral	Net Carrying Amount	Identifiable Collateral
<i>(Amounts in PHP)</i>				
<u>BDO Unibank Group</u>				
Receivable from customers:				
Corporate	20,296	41,066	23,709	47,617
Consumer	26,598	40,390	21,433	47,880
Investment securities and other assets for life insurance contracts	262	700	253	596
Other receivables	2,362	514	1,678	904
<u>Parent Bank</u>				
Receivable from customers:				
Corporate	20,249	41,066	23,692	47,617
Consumer	24,307	40,390	19,603	47,880
Other receivables	1,435	514	1,108	904

For each loan, the value of disclosed collateral (mainly collateral properties) is capped at the nominal amount of the loan that it is held against.

(b) *Debt Investment Securities*

The BDO Unibank Group and the Parent Bank invest in non-collateralized debt securities issued by various government and corporate entities. The maximum exposure to credit risk of debt investment securities is equivalent to their carrying amount as of December 31, 2025 and 2024 as shown below:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Debt securities:				
At amortized cost	614,579	575,954	594,596	556,125
At FVOCI	334,047	270,144	326,001	259,973
At FVTPL	26,444	18,500	23,496	17,340
Investments securities for life insurance contracts	96,475	80,052	-	-
	<u>1,071,545</u>	<u>944,650</u>	<u>944,093</u>	<u>833,438</u>

4.3.5 Amounts Arising from Expected Credit Losses

At each reporting date, BDO Unibank Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

(a) *Significant Increase in Credit Risk (SICR)*

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the BDO Unibank Group based on changes in credit quality since initial recognition of the financial asset. A financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the BDO Unibank Group as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit-impaired. Such assessment is based on the following criteria in determining whether there has been a significant increase in credit risk that could result to rescheduling or restructuring:

(i) qualitative indicators, such as net losses, intermittent delays in payment, affected by adverse economic conditions; and (ii) quantitative test based on movement in risk rating and PD.

The borrowers can be moved to Stage 1 upon completion of the seasoning period which shall be 6 months of continuous payment with no incident of past due.

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

The objective of the assessment is to identify whether an SICR has occurred for an exposure by comparing:

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

(i) Credit risk grading

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

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

(ii) Generating the term structure of PD

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

The BDO Unibank Group employs statistical models to analyze the data collected and generates the term structure of PD estimates.

(iii) Determining whether credit risk has increased significantly

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

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the BDO Unibank Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as net loss, significant drop in risk ratings and intermittent delays in payments that could result to rescheduling or restructuring.

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

(b) Definition of Default

The BDO Unibank Group considers a financial asset to be in default when:

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

- the borrower is more than 90 days past due on any material credit obligation to the BDO Unibank Group; or,
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

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

These criteria have been applied to all financial instruments held by the BDO Unibank Group and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the BDO Unibank Group.

An instrument is considered to have cured when it no longer meets any of the default criteria for a consecutive period of six months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments in compliance with the regulatory requirements on transfer between stages.

(c) *Measurement of ECL*

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

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

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

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

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

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

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

There were no significant changes in the estimation techniques or significant assumptions made by the BDO Unibank Group in 2025.

(d) Collective Basis of Measurement of ECL

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

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

The groupings are subject to the regular review by the BDO Unibank Group's RMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(e) Forward-looking Information (FLI)

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

The BDO Unibank Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables (MEVs) and credit risk and credit losses.

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

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

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

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different from the projections. The BDO Unibank Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the BDO Unibank Group different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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

(f) *Modified Financial Assets*

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

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

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

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

The BDO Unibank Group renegotiates loans of customers in financial difficulties (referred to as 'restructuring') to maximize collection opportunities and minimize the risk of default.

The revised terms usually include extending the maturity, deferment of principal payment, changing the timing of interest payments and amending the terms of loan covenants. The proposals for loan restructuring are for approval by the BDO Unibank Group's Executive Committee.

For financial assets modified as part of the BDO Unibank Group's restructuring policy, the estimate of credit loss will reflect the probability to collect interest and principal. As part of this process, the BDO Unibank Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, restructuring is a qualitative indicator of an SICR and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 4.3.2). A customer needs to demonstrate consistently good payment behavior over a period of time (in accordance with the new terms for six consecutive months or more) before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

The following tables provide a summary of the outstanding principal balance net of allowance for impairment of modified loans provided by the BDO Unibank Group and the Parent Bank as of December 31, 2025 and 2024:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Stage 1 (Performing)				
Corporate	31,435	41,110	24,670	34,662
Consumer	42,035	46,061	32,359	41,869
Credit card receivables	1,343	904	1,343	904
	74,813	88,075	58,372	77,435
Allowance for impairment	(213)	(247)	(179)	(230)
	74,600	87,828	58,193	77,205
Stage 2 (Underperforming)				
Corporate	31,055	34,023	31,026	33,978
Consumer	26,680	23,064	26,083	22,531
Credit card receivables	1,550	974	1,550	975
	59,285	58,061	58,659	57,484
Allowance for impairment	(23,395)	(23,563)	(23,392)	(23,546)
	35,890	34,498	35,267	33,938
Stage 3 (Non-performing)				
Corporate	2,754	1,638	2,738	1,635
Consumer	10,761	9,033	9,693	7,898
Credit card receivables	3,073	2,224	3,073	2,224
	16,588	12,895	15,504	11,757
Allowance for impairment	(6,529)	(5,458)	(6,058)	(4,956)
	10,059	7,437	9,446	6,801

(g) Write-offs

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

The BDO Unibank Group and the Parent Bank had written off certain accounts from which it no longer has an enforceable right to receive payment amounting to P534 and P404, respectively, in 2025, and P289 and P253, respectively, in 2024.

(b) *Credit Risk Exposure*

The BDO Unibank Group and the Parent Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets as shown below and in the succeeding pages.

BDO Unibank Group

<i>(Amounts in PHP)</i>	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<u>2025</u>				
Loans and discounts:				
Corporate	2,728,679	1,372,931	1,355,748	1,372,931
Consumer	642,677	980,434	-	642,677
Credit card receivables	283,314	-	283,314	-
Loans for life				
insurance contracts	1,538	4,505	-	1,538
Reverse repurchase agreement	23,170	21,665	1,505	21,665
Sales contracts receivables	1,658	2,148	-	1,658
	<u>3,681,036</u>	<u>2,381,683</u>	<u>1,640,567</u>	<u>2,040,469</u>

2024

Loans and discounts:				
Corporate	2,442,112	1,294,939	1,147,173	1,294,939
Consumer	567,736	946,815	-	567,736
Credit card receivables	215,382	-	215,382	-
Loans for life				
insurance contracts	2,031	5,437	-	2,031
Reverse repurchase agreement	25,463	25,000	463	25,000
Sales contracts receivables	1,864	2,496	-	1,864
	<u>3,254,588</u>	<u>2,274,687</u>	<u>1,363,018</u>	<u>1,891,570</u>

Parent Bank

<i>(Amounts in PHP)</i>	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<u>2025</u>				
Loans and discounts:				
Corporate	2,719,863	1,365,313	1,354,550	1,365,313
Consumer	518,341	969,298	-	518,341
Credit card receivables	283,314	-	283,314	-
Reverse repurchase agreement	21,669	21,665	4	21,665
Sales contracts receivables	1,621	2,148	-	1,621
	<u>3,544,808</u>	<u>2,358,424</u>	<u>1,637,868</u>	<u>1,906,940</u>

Parent Bank

<i>(Amounts in PHP)</i>	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<u>2024</u>				
Loans and discounts:				
Corporate	2,434,075	1,288,466	1,145,609	1,288,466
Consumer	471,958	942,010	-	471,958
Credit card receivables	215,382	-	215,382	-
Reverse repurchase agreement	25,012	25,000	12	25,000
Sales contracts receivables	<u>1,843</u>	<u>2,496</u>	<u>-</u>	<u>1,843</u>
	<u>3,148,270</u>	<u>2,257,972</u>	<u>1,361,003</u>	<u>1,787,267</u>

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2025 and 2024 is shown below and in the succeeding page.

BDO Unibank Group

<i>(Amounts in PHP)</i>	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<u>2025</u>				
Loans and discounts:				
Corporate	17,344	12,617	4,727	12,617
Consumer	27,744	37,317	-	27,744
Credit card receivables	15,411	-	15,411	-
Loans for life insurance contracts	269	651	-	269
Sales contracts receivables	<u>367</u>	<u>447</u>	<u>-</u>	<u>367</u>
	<u>61,135</u>	<u>51,032</u>	<u>20,138</u>	<u>40,997</u>
<u>2024</u>				
Loans and discounts:				
Corporate	19,324	17,040	2,284	17,040
Consumer	26,305	43,833	-	26,305
Credit card receivables	14,721	-	14,721	-
Loans for life insurance contracts	253	538	-	253
Sales contracts receivables	<u>559</u>	<u>634</u>	<u>-</u>	<u>559</u>
	<u>61,162</u>	<u>62,045</u>	<u>17,005</u>	<u>44,157</u>

Parent Bank

<i>(Amounts in PHP)</i>	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
<u>2025</u>				
Loans and discounts:				
Corporate	17,297	12,617	4,680	12,617
Consumer	23,684	37,317	-	23,684
Credit card receivables	15,411	-	15,411	-
Sales contracts receivables	367	447	-	367
	<u>56,759</u>	<u>50,381</u>	<u>20,091</u>	<u>36,668</u>
<u>2024</u>				
Loans and discounts:				
Corporate	19,319	17,040	2,279	17,040
Consumer	22,966	43,833	-	22,966
Credit card receivables	14,721	-	14,721	-
Sales contracts receivables	559	634	-	559
	<u>57,565</u>	<u>61,507</u>	<u>17,000</u>	<u>40,565</u>

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Cash equivalents	8, 9	440,610	449,822	419,350	430,124
Debt securities:					
At FVOCI	10.2	334,051	270,148	326,005	259,977
At amortized cost	10.3	616,364	578,066	596,378	558,234
Investments securities for life insurance contracts	16	85,180	71,414	-	-
		<u>1,035,595</u>	<u>919,628</u>	<u>922,383</u>	<u>818,211</u>

Cash equivalents includes loans with amounts due from BSP and from other banks. Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

(i) *Loss Allowance*

In 2025 and 2024, the BDO Unibank Group and the Parent Bank performed a recalibration of its existing ECL model to incorporate the most-recent default and recovery experience of the BDO Unibank Group and the Parent Bank and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the PD could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure that models are robust, predictive and reliable.

The tables in the succeeding pages show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

BDO Unibank Group

<i>(Amounts in PHP)</i>	2025			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	37	-	-	37
Net remeasurement of loss allowance	6	-	-	6
New financial assets originated or purchased	7	-	-	7
Derecognition of financial assets	(4)	-	-	(4)
Foreign exchange	2	-	-	2
Balance at December 31	<u>48</u>	<u>-</u>	<u>-</u>	<u>48</u>
Receivables from customers – corporate				
Balance at January 1	6,174	32,673	15,379	54,226
Transfers to:				
Stage 1	200	(200)	-	-
Stage 2	(5)	5	-	-
Stage 3	(7)	(186)	193	-
Net remeasurement of loss allowance	(740)	155	(553)	(1,138)
New financial assets originated or purchased	3,443	3,095	395	6,933
Derecognition of financial assets	(2,544)	(6,573)	(1,109)	(10,226)
Write-offs	-	-	(1,848)	(1,848)
Foreign exchange	11	-	54	65
Balance at December 31	<u>6,532</u>	<u>28,969</u>	<u>12,511</u>	<u>48,012</u>
Receivables from customers – consumers				
Balance at January 1	3,355	432	9,535	13,322
Transfers to:				
Stage 1	202	(53)	(149)	-
Stage 2	(84)	104	(20)	-
Stage 3	(347)	(222)	569	-
Net remeasurement of loss allowance	(377)	237	2,308	2,168
New financial assets originated or purchased	1,393	151	590	2,134
Derecognition of financial assets	(449)	(139)	(2,785)	(3,373)
Write-offs	-	-	(2,912)	(2,912)
Balance at December 31	<u>3,693</u>	<u>510</u>	<u>7,136</u>	<u>11,339</u>
Credit card receivables				
Balance at January 1	7,239	1,465	12,845	21,549
Transfers to:				
Stage 1	731	(290)	(441)	-
Stage 2	(231)	723	(492)	-
Stage 3	(1,908)	(869)	2,777	-
Net remeasurement of loss allowance	3,005	983	10,728	14,716
New financial assets originated or purchased	1,432	127	487	2,046
Derecognition of financial assets	(370)	(111)	(541)	(1,022)
Write-offs	-	-	(12,804)	(12,804)
Foreign exchange	2	-	2	4
Balance at December 31	<u>9,900</u>	<u>2,028</u>	<u>12,561</u>	<u>24,489</u>
Other receivables				
Balance at January 1	523	55	2,416	2,994
Transfers to:				
Stage 1	18	(2)	(16)	-
Stage 2	(2)	6	(4)	-
Stage 3	(4)	(19)	23	-
Net remeasurement of loss allowance	30	(14)	153	169
New financial assets originated or purchased	76	43	1,552	1,671
Derecognition of financial assets	(224)	(11)	(1,315)	(1,550)
Write-offs	-	-	(219)	(219)
Balance at December 31	<u>417</u>	<u>58</u>	<u>2,590</u>	<u>3,065</u>

BDO Unibank Group

<i>(Amounts in PHP)</i>	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumers				
Balance at January 1	2,770	503	9,874	13,147
Transfers to:				
Stage 1	523	(181)	(342)	-
Stage 2	(63)	100	(37)	-
Stage 3	(683)	(1,272)	1,955	-
Net remeasurement of loss allowance	(110)	1,373	2,112	3,375
New financial assets originated or purchased	1,300	137	717	2,154
Derecognition of financial assets	(382)	(228)	(3,328)	(3,938)
Write-offs	-	-	(1,417)	(1,417)
Foreign exchange	-	-	1	1
Balance at December 31	<u>3,355</u>	<u>432</u>	<u>9,535</u>	<u>13,322</u>
Credit card receivables				
Balance at January 1	5,823	371	8,768	14,962
Transfers to:				
Stage 1	287	(33)	(254)	-
Stage 2	(179)	509	(330)	-
Stage 3	(1,542)	(272)	1,814	-
Net remeasurement of loss allowance	1,536	741	7,918	10,195
New financial assets originated or purchased	1,595	185	941	2,721
Derecognition of financial assets	(285)	(35)	(417)	(737)
Write-offs	-	-	(5,600)	(5,600)
Foreign exchange	4	(1)	5	8
Balance at December 31	<u>7,239</u>	<u>1,465</u>	<u>12,845</u>	<u>21,549</u>
Other receivables				
Balance at January 1	238	42	2,428	2,708
Transfers to:				
Stage 1	2	-	(2)	-
Stage 2	-	6	(6)	-
Stage 3	5	(35)	30	-
Net remeasurement of loss allowance	(15)	22	307	314
New financial assets originated or purchased	443	49	513	1,005
Derecognition of financial assets	(152)	(29)	(655)	(836)
Foreign exchange	2	-	-	2
Write-offs	-	-	(199)	(199)
Balance at December 31	<u>523</u>	<u>55</u>	<u>2,416</u>	<u>2,994</u>
Debt investment securities at amortized cost				
Balance at January 1	231	49	1,846	2,126
Transfers to:				
Stage 3	(5)	-	5	-
Net remeasurement of loss allowance	(67)	9	-	(58)
New financial assets originated or purchased	29	-	-	29
Foreign exchange	14	2	72	88
Derecognition of financial assets	(73)	-	-	(73)
Balance at December 31	<u>129</u>	<u>60</u>	<u>1,923</u>	<u>2,112</u>
Debt investment securities at FVOCI				
Balance at January 1	102	97	-	199
Transfers to:				
Stage 3	-	(99)	99	-
Net remeasurement of loss allowance	(25)	2	17	(6)
New financial assets originated or purchased	20	-	-	20
Derecognition of financial assets	(26)	-	-	(26)
Balance at December 31	<u>71</u>	<u>-</u>	<u>116</u>	<u>187</u>

BDO Unibank Group

<i>(Amounts in PHP)</i>	2024			
	Stage 1	Stage 2	Stage 3	Total
Investment securities and other assets for life insurance contracts				
Balance at January 1	39	3	27	69
Transfers to:				
Stage 1	7	(2)	(5)	-
Stage 2	-	4	(4)	-
Net remeasurement of loss allowance	7	1	(2)	6
Derecognition of financial assets	(25)	(4)	17	(12)
Balance at December 31	<u>28</u>	<u>2</u>	<u>33</u>	<u>63</u>
Loan commitments and other contingent accounts				
Balance at January 1	176	27	-	203
Net remeasurement of loss allowance	(32)	2	-	(30)
New financial assets originated or purchased	49	-	-	49
Derecognition of financial assets	(107)	-	-	(107)
Foreign exchange	3	-	-	3
Balance at December 31	<u>89</u>	<u>29</u>	<u>-</u>	<u>118</u>

Parent Bank

<i>(Amounts in PHP)</i>	2025			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	31	-	-	31
Net remeasurement of loss allowance	10	-	-	10
Foreign exchange	2	-	-	2
Balance at December 31	<u>43</u>	<u>-</u>	<u>-</u>	<u>43</u>
Receivables from customers – corporate				
Balance at January 1	6,164	32,643	15,377	54,184
Transfers to:				
Stage 1	200	(200)	-	-
Stage 2	(5)	5	-	-
Stage 3	(5)	(180)	185	-
Net remeasurement of loss allowance	(737)	155	(551)	(1,133)
New financial assets originated or purchased	3,437	3,094	396	6,927
Derecognition of financial assets	(2,543)	(6,570)	(1,108)	(10,221)
Write-offs	-	-	(1,848)	(1,848)
Foreign exchange	11	-	54	65
Balance at December 31	<u>6,522</u>	<u>28,947</u>	<u>12,505</u>	<u>47,974</u>
Receivables from customers – consumers				
Balance at January 1	2,970	354	7,598	10,922
Transfers to:				
Stage 1	171	(48)	(123)	-
Stage 2	(57)	73	(16)	-
Stage 3	(286)	(186)	472	-
Net remeasurement of loss allowance	(298)	220	1,173	1,095
New financial assets originated or purchased	1,134	105	343	1,582
Derecognition of financial assets	(383)	(108)	(2,411)	(2,902)
Write-offs	-	-	(2,005)	(2,005)
Foreign exchange	-	-	1	1
Balance at December 31	<u>3,251</u>	<u>410</u>	<u>5,032</u>	<u>8,693</u>

Parent Bank

(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	6,238	33,069	15,638	54,945
Transfers to:				
Stage 1	187	(184)	(3)	-
Stage 2	(14)	4,506	(4,492)	-
Stage 3	(1)	(1,906)	1,907	-
Net remeasurement of loss allowance	(997)	2,428	2,218	3,649
New financial assets originated or purchased	3,203	1,605	1,447	6,255
Derecognition of financial assets	(2,478)	(6,876)	(428)	(9,782)
Write-offs	-	-	(1,007)	(1,007)
Foreign exchange	26	1	97	124
Balance at December 31	<u>6,164</u>	<u>32,643</u>	<u>15,377</u>	<u>54,184</u>
Receivables from customers – consumers				
Balance at January 1	2,276	362	8,257	10,895
Transfers to:				
Stage 1	281	(48)	(233)	-
Stage 2	(38)	50	(12)	-
Stage 3	(153)	(121)	274	-
Net remeasurement of loss allowance	(184)	186	2,202	2,204
New financial assets originated or purchased	1,081	109	603	1,793
Derecognition of financial assets	(293)	(184)	(2,862)	(3,339)
Write-offs	-	-	(631)	(631)
Balance at December 31	<u>2,970</u>	<u>354</u>	<u>7,598</u>	<u>10,922</u>
Credit card receivables				
Balance at January 1	5,823	371	8,768	14,962
Transfers to:				
Stage 1	287	(33)	(254)	-
Stage 2	(179)	509	(330)	-
Stage 3	(1,542)	(272)	1,814	-
Net remeasurement of loss allowance	1,536	741	7,918	10,195
New financial assets originated or purchased	1,595	185	941	2,721
Derecognition of financial assets	(285)	(35)	(417)	(737)
Write-offs	-	-	(5,600)	(5,600)
Foreign exchange	4	(1)	5	8
Balance at December 31	<u>7,239</u>	<u>1,465</u>	<u>12,845</u>	<u>21,549</u>
Other receivables				
Balance at January 1	185	42	2,341	2,568
Transfers to:				
Stage 1	2	-	(2)	-
Stage 2	-	6	(6)	-
Stage 3	(4)	(1)	5	-
Net remeasurement of loss allowance	(14)	(12)	225	199
New financial assets originated or purchased	443	49	507	999
Derecognition of financial assets	(138)	(29)	(643)	(810)
Write-offs	-	-	(199)	(199)
Foreign exchange	2	-	-	2
Balance at December 31	<u>476</u>	<u>55</u>	<u>2,228</u>	<u>2,759</u>

Parent Bank

<i>(Amounts in PHP)</i>	2024			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost				
Balance at January 1	220	49	1,846	2,115
Transfers to:				
Stage 3	(5)	-	5	-
Net remeasurement of loss allowance	(59)	9	-	(50)
New financial assets originated or purchased	29	-	-	29
Foreign exchange	13	2	72	87
Derecognition of financial assets	(72)	-	-	(72)
Balance at December 31	<u>126</u>	<u>60</u>	<u>1,923</u>	<u>2,109</u>
Debt investment securities at FVOCI				
Balance at January 1	102	97	-	199
Transfers to:				
Stage 3	-	(99)	99	-
Net remeasurement of loss allowance	(25)	2	17	(6)
New financial assets originated or purchased	19	-	-	19
Derecognition of financial assets	(26)	-	-	(26)
Balance at December 31	<u>70</u>	<u>-</u>	<u>116</u>	<u>186</u>
Loan commitments and other contingent accounts				
Balance at January 1	176	27	-	203
Net remeasurement of loss allowance	(32)	2	-	(30)
New financial assets originated or purchased	49	-	-	49
Derecognition of financial assets	(107)	-	-	(107)
Foreign exchange	3	-	-	3
Balance at December 31	<u>89</u>	<u>29</u>	<u>-</u>	<u>118</u>

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

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Balance at January 1	94,608	88,466	91,858	85,942
Net remeasurement of loss allowance	15,909	17,416	14,834	16,137
Derecognition of financial assets	(16,699)	(15,515)	(16,208)	(14,873)
New financial assets originated or purchased	12,941	12,238	12,352	11,865
Write-offs	(17,783)	(8,223)	(16,876)	(7,437)
Foreign exchange	99	226	100	224
Balance at December 31	<u>89,075</u>	<u>94,608</u>	<u>86,060</u>	<u>91,858</u>

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

The tables below and in the succeeding pages provide information how the significant changes in the gross carrying amount of financial instruments in 2025 and 2024 contributed to the changes in the allowance for ECL.

BDO Unibank Group

<i>(Amounts in PHP)</i>	2025			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	90,485	-	-	90,485
Net movements	17,063	-	-	17,063
New financial assets originated or purchased	20,941	-	-	20,941
Derecognition of financial assets	(21,204)	-	-	(21,204)
Foreign exchange	4,139	-	-	4,139
Balance at December 31	<u>111,424</u>	<u>-</u>	<u>-</u>	<u>111,424</u>
Receivables from customers – corporate				
Balance at January 1	2,370,351	52,437	19,324	2,442,112
Transfers to:				
Stage 1	998	(998)	-	-
Stage 2	(990)	990	-	-
Stage 3	(1,112)	(365)	1,477	-
Foreign exchange	17	-	-	17
New financial assets originated or purchased	2,337,650	1,899	313	2,339,862
Derecognition of financial assets	(2,040,011)	(9,531)	(1,922)	(2,051,464)
Write-offs	-	-	(1,848)	(1,848)
Balance at December 31	<u>2,666,903</u>	<u>44,432</u>	<u>17,344</u>	<u>2,728,679</u>
Receivables from customers – consumers				
Balance at January 1	539,162	2,269	26,305	567,736
Transfers to:				
Stage 1	1,425	(417)	(1,008)	-
Stage 2	(1,789)	1,845	(56)	-
Stage 3	(11,920)	(1,183)	13,103	-
New financial assets originated or purchased	268,519	516	1,091	270,126
Derecognition of financial assets	(182,767)	(727)	(8,779)	(192,273)
Write-offs	-	-	(2,912)	(2,912)
Balance at December 31	<u>612,630</u>	<u>2,303</u>	<u>27,744</u>	<u>642,677</u>
Credit card receivables				
Balance at January 1	198,246	2,415	14,721	215,382
Transfers to:				
Stage 1	1,025	(508)	(517)	-
Stage 2	(2,073)	2,678	(605)	-
Stage 3	(12,962)	(1,422)	14,384	-
New financial assets originated or purchased	90,280	520	1,240	92,040
Derecognition of financial assets	(9,988)	(308)	(1,008)	(11,304)
Write-offs	-	-	(12,804)	(12,804)
Balance at December 31	<u>264,528</u>	<u>3,375</u>	<u>15,411</u>	<u>283,314</u>

BDO Unibank Group

<i>(Amounts in PHP)</i>	2025			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Balance at January 1	135,230	657	3,492	139,379
Transfers to:				
Stage 1	149	(30)	(119)	-
Stage 2	(32)	62	(30)	-
Stage 3	(107)	(52)	159	-
New financial assets originated or purchased	42,108	840	2,040	44,988
Derecognition of financial assets	(55,615)	(352)	(1,438)	(57,405)
Write-offs	-	-	(219)	(219)
Balance at December 31	<u>121,733</u>	<u>1,125</u>	<u>3,885</u>	<u>126,743</u>
Debt investment securities at amortized cost				
Balance at January 1	576,083	60	1,923	578,066
Transfer to:				
Stage 3	-	(60)	60	-
Amortization	(1,065)	-	-	(1,065)
New financial assets originated or purchased	152,119	-	-	152,119
Foreign exchange	5,703	-	24	5,727
Derecognition of financial assets	(118,129)	-	(354)	(118,483)
Balance at December 31	<u>614,711</u>	<u>-</u>	<u>1,653</u>	<u>616,364</u>
Debt investment securities at FVOCI				
Balance at January 1	270,029	-	119	270,148
Amortization	3,611	-	-	3,611
Fair value gain	4,469	-	-	4,469
New financial assets originated or purchased	1,030,113	-	-	1,030,113
Foreign exchange	3,344	-	2	3,346
Derecognition of financial assets	(977,636)	-	-	(977,636)
Balance at December 31	<u>333,930</u>	<u>-</u>	<u>121</u>	<u>334,051</u>
Investment securities and other assets for life insurance contracts				
Balance at January 1	74,799	27	261	75,087
Transfers to:				
Stage 1	30	(13)	(17)	-
Stage 2	(4)	24	(20)	-
Stage 3	(23)	(2)	25	-
Amortization	(254)	-	-	(254)
Fair value gain	331	-	-	331
Foreign exchange	(99)	-	-	(99)
New financial assets originated or purchased	28,512	-	-	28,512
Derecognition of financial assets	(15,171)	(14)	27	(15,158)
Balance at December 31	<u>88,121</u>	<u>22</u>	<u>276</u>	<u>88,419</u>
Loan commitments and other contingent accounts				
Balance at January 1	736,794	347	-	737,141
New financial assets originated or purchased	104,488	6	-	104,494
Derecognition of financial assets	(771,100)	-	-	(771,100)
Balance at December 31	<u>70,182</u>	<u>353</u>	<u>-</u>	<u>70,535</u>

BDO Unibank Group

<i>(Amounts in PHP)</i>	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	86,032	-	-	86,032
Net movements	(815)	-	-	(815)
New financial assets originated or purchased	52,792	-	-	52,792
Derecognition of financial assets	(48,172)	-	-	(48,172)
Foreign exchange	648	-	-	648
Balance at December 31	<u>90,485</u>	<u>-</u>	<u>-</u>	<u>90,485</u>
Receivables from customers – corporate				
Balance at January 1	2,101,948	62,889	18,639	2,183,476
Transfers to:				
Stage 1	1,330	(1,320)	(10)	-
Stage 2	(3,309)	8,297	(4,988)	-
Stage 3	(563)	(4,583)	5,146	-
Net remeasurement	(1,047)	85	(2)	(964)
Foreign exchange	27	-	-	27
New financial assets originated or purchased	2,133,226	3,621	154,418	2,291,265
Derecognition of financial assets	(1,861,261)	(16,552)	(152,872)	(2,030,685)
Write-offs	-	-	(1,007)	(1,007)
Balance at December 31	<u>2,370,351</u>	<u>52,437</u>	<u>19,324</u>	<u>2,442,112</u>
Receivables from customers – consumers				
Balance at January 1	476,503	1,785	24,986	503,274
Transfers to:				
Stage 1	29,434	(277)	(29,157)	-
Stage 2	(1,217)	1,232	(15)	-
Stage 3	(6,572)	(924)	7,496	-
Net remeasurement	(31,258)	222	28,034	(3,002)
New financial assets originated or purchased	224,948	340	755	226,043
Derecognition of financial assets	(152,676)	(109)	(4,377)	(157,162)
Write-offs	-	-	(1,417)	(1,417)
Balance at December 31	<u>539,162</u>	<u>2,269</u>	<u>26,305</u>	<u>567,736</u>
Credit card receivables				
Balance at January 1	150,774	1,723	9,550	162,047
Transfers to:				
Stage 1	560	(307)	(253)	-
Stage 2	(1,527)	1,891	(364)	-
Stage 3	(9,874)	(1,060)	10,934	-
New financial assets originated or purchased	65,547	410	1,193	67,150
Derecognition of financial assets	(7,234)	(242)	(739)	(8,215)
Write-offs	-	-	(5,600)	(5,600)
Balance at December 31	<u>198,246</u>	<u>2,415</u>	<u>14,721</u>	<u>215,382</u>
Other receivables				
Balance at January 1	115,038	443	3,478	118,959
Transfers to:				
Stage 1	78	(59)	(19)	-
Stage 2	(45)	68	(23)	-
Stage 3	(144)	(53)	197	-
New financial assets originated or purchased	29,452	598	2,391	32,441
Acquired from business combination	(181)	-	-	(181)
Derecognition of financial assets	(8,968)	(340)	(2,333)	(11,641)
Write-offs	-	-	(199)	(199)
Balance at December 31	<u>135,230</u>	<u>657</u>	<u>3,492</u>	<u>139,379</u>

BDO Unibank Group

<i>(Amounts in PHP)</i>	2024			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost				
Balance at January 1	573,704	56	1,846	575,606
Transfer to:				
Stage 3	(6)	-	6	-
Amortization	(2,288)	-	-	(2,288)
New financial assets originated or purchased	125,311	1	-	125,312
Foreign exchange	8,417	3	71	8,491
Derecognition of financial assets	(129,055)	-	-	(129,055)
Balance at December 31	<u>576,083</u>	<u>60</u>	<u>1,923</u>	<u>578,066</u>
Debt investment securities at FVOCI				
Balance at January 1	234,884	15	-	234,899
Transfers to:				
Stage 3	-	(13)	13	-
Amortization	8,212	-	-	8,212
Fair value gain (loss)	(447)	(6)	102	(351)
New financial assets originated or purchased	1,322,501	(1)	4	1,322,504
Foreign exchange	4,598	5	-	4,603
Derecognition of financial assets	(1,299,719)	-	-	(1,299,719)
Balance at December 31	<u>270,029</u>	<u>-</u>	<u>119</u>	<u>270,148</u>
Investment securities and other assets for life insurance contracts				
Balance at January 1	75,337	61	203	75,601
Transfers to:				
Stage 1	80	(26)	(54)	-
Stage 2	(14)	51	(37)	-
Stage 3	(23)	-	23	-
Amortization	(246)	-	-	(246)
Fair value loss	(775)	-	-	(775)
Foreign exchange	125	-	-	125
New financial assets originated or purchased	15,907	(3)	(4)	15,900
Derecognition of financial assets	(15,592)	(56)	130	(15,518)
Balance at December 31	<u>74,799</u>	<u>27</u>	<u>261</u>	<u>75,087</u>
Loan commitments and other contingent accounts				
Balance at January 1	606,864	1,079	49	607,992
New financial assets originated or purchased	130,177	133	-	130,310
Derecognition of financial assets	(247)	(865)	(49)	(1,161)
Balance at December 31	<u>736,794</u>	<u>347</u>	<u>-</u>	<u>737,141</u>

Parent Bank

<i>(Amounts in PHP)</i>	2025			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	77,542	-	-	77,542
Net movements	15,728	-	-	15,728
New financial assets originated or purchased	9,518	-	-	9,518
Derecognition of financial assets	(9,296)	-	-	(9,296)
Foreign exchange	4,042	-	-	4,042
Balance at December 31	<u>97,534</u>	<u>-</u>	<u>-</u>	<u>97,534</u>

Parent Bank

	2025			
	Stage 1	Stage 2	Stage 3	Total
<i>(Amounts in PHP)</i>				
Receivables from customers – corporate				
Balance at January 1	2,362,363	52,393	19,319	2,434,075
Transfers to:				
Stage 1	998	(998)	-	-
Stage 2	(983)	983	-	-
Stage 3	(1,078)	(348)	1,426	-
New financial assets originated or purchased	2,333,282	1,898	313	2,335,493
Derecognition of financial assets	(2,036,420)	(9,524)	(1,913)	(2,047,857)
Write-offs	-	-	(1,848)	(1,848)
Balance at December 31	<u>2,658,162</u>	<u>44,404</u>	<u>17,297</u>	<u>2,719,863</u>
Receivables from customers – consumers				
Balance at January 1	447,228	1,764	22,966	471,958
Transfers to:				
Stage 1	942	(253)	(689)	-
Stage 2	(1,437)	1,485	(48)	-
Stage 3	(9,563)	(955)	10,518	-
New financial assets originated or purchased	170,486	283	629	171,398
Derecognition of financial assets	(114,867)	(456)	(7,687)	(123,010)
Write-offs	-	-	(2,005)	(2,005)
Balance at December 31	<u>492,789</u>	<u>1,868</u>	<u>23,684</u>	<u>518,341</u>
Credit card receivables				
Balance at January 1	198,246	2,415	14,721	215,382
Transfers to:				
Stage 1	1,025	(508)	(517)	-
Stage 2	(2,073)	2,678	(605)	-
Stage 3	(12,962)	(1,422)	14,384	-
New financial assets originated or purchased	90,280	520	1,240	92,040
Derecognition of financial assets	(9,988)	(308)	(1,008)	(11,304)
Write-offs	-	-	(12,804)	(12,804)
Balance at December 31	<u>264,528</u>	<u>3,375</u>	<u>15,411</u>	<u>283,314</u>
Other receivables				
Balance at January 1	133,365	523	2,868	136,756
Transfers to:				
Stage 1	149	(30)	(119)	-
Stage 2	(31)	61	(30)	-
Stage 3	(107)	(52)	159	-
New financial assets originated or purchased	38,024	720	1,995	40,739
Derecognition of financial assets	(45,961)	(350)	(1,663)	(47,974)
Write-offs	-	-	(219)	(219)
Balance at December 31	<u>125,439</u>	<u>872</u>	<u>2,991</u>	<u>129,302</u>
Debt investment securities at amortized cost				
Balance at January 1	556,251	60	1,923	558,234
Transfer to:				
Stage 3	-	(60)	60	-
Amortization	(1,065)	-	-	(1,065)
New financial assets originated or purchased	143,832	-	-	143,832
Foreign exchange	5,638	-	24	5,662
Derecognition of financial assets	(109,931)	-	(354)	(110,285)
Balance at December 31	<u>594,725</u>	<u>-</u>	<u>1,653</u>	<u>596,378</u>

Parent Bank

<i>(Amounts in PHP)</i>	2025			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI				
Balance at January 1	259,858	-	119	259,977
Amortization	3,610	-	-	3,610
Fair value gain	4,460	-	-	4,460
New financial assets originated or purchased	1,028,935	-	-	1,028,935
Foreign exchange	3,326	-	2	3,328
Derecognition of financial assets	(974,305)	-	-	(974,305)
Balance at December 31	<u>325,884</u>	<u>-</u>	<u>121</u>	<u>326,005</u>
Loan commitments and other contingent accounts				
Balance at January 1	736,794	347	-	737,141
New financial assets originated or purchased	104,488	6	-	104,494
Derecognition of financial assets	(771,100)	-	-	(771,100)
Balance at December 31	<u>70,182</u>	<u>353</u>	<u>-</u>	<u>70,535</u>
<i>(Amounts in PHP)</i>				
	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	76,846	-	-	76,846
Net movements	88	-	-	88
New financial assets originated or purchased	8,343	-	-	8,343
Derecognition of financial assets	(8,324)	-	-	(8,324)
Foreign exchange	589	-	-	589
Balance at December 31	<u>77,542</u>	<u>-</u>	<u>-</u>	<u>77,542</u>
Receivables from customers – corporate				
Balance at January 1	2,094,050	62,795	18,633	2,175,478
Transfers to:				
Stage 1	1,223	(1,213)	(10)	-
Stage 2	(3,320)	8,308	(4,988)	-
Stage 3	(563)	(4,582)	5,145	-
New financial assets originated or purchased	2,129,184	3,621	154,418	2,287,223
Derecognition of financial assets	(1,858,211)	(16,536)	(152,872)	(2,027,619)
Write-offs	-	-	(1,007)	(1,007)
Balance at December 31	<u>2,362,363</u>	<u>52,393</u>	<u>19,319</u>	<u>2,434,075</u>
Receivables from customers – consumer				
Balance at January 1	414,454	1,398	22,103	437,955
Transfers to:				
Stage 1	1,539	(292)	(1,247)	-
Stage 2	(1,208)	1,238	(30)	-
Stage 3	(5,569)	(692)	6,261	-
New financial assets originated or purchased	153,345	168	512	154,025
Derecognition of financial assets	(115,333)	(56)	(4,002)	(119,391)
Write-offs	-	-	(631)	(631)
Balance at December 31	<u>447,228</u>	<u>1,764</u>	<u>22,966</u>	<u>471,958</u>

Parent Bank

(Amounts in PHP)	2024			
	Stage 1	Stage 2	Stage 3	Total
Credit card receivables				
Balance at January 1	150,774	1,723	9,550	162,047
Transfers to:				
Stage 1	560	(307)	(253)	-
Stage 2	(1,527)	1,891	(364)	-
Stage 3	(9,874)	(1,060)	10,934	-
New financial assets originated or purchased	65,547	410	1,193	67,150
Derecognition of financial assets	(7,234)	(242)	(739)	(8,215)
Write-offs	-	-	(5,600)	(5,600)
Balance at December 31	198,246	2,415	14,721	215,382
Other receivables				
Balance at January 1	114,176	417	2,844	117,437
Transfers to:				
Stage 1	47	(27)	(20)	-
Stage 2	(45)	69	(24)	-
Stage 3	(144)	(20)	164	-
New financial assets originated or purchased	24,913	423	1,959	27,295
Derecognition of financial assets	(5,582)	(339)	(1,856)	(7,777)
Write-offs	-	-	(199)	(199)
Balance at December 31	133,365	523	2,868	136,756
Debt investment securities at amortized cost				
Balance at January 1	554,856	56	1,846	556,758
Transfer to:				
Stage 3	(6)	-	6	-
Amortization	(2,288)	-	-	(2,288)
New financial assets originated or purchased	117,892	1	-	117,893
Foreign exchange	8,194	3	71	8,268
Derecognition of financial assets	(122,397)	-	-	(122,397)
Balance at December 31	556,251	60	1,923	558,234
Debt investment securities at FVOCI				
Balance at January 1	222,994	15	-	223,009
Transfers to:				
Stage 3	-	(13)	13	-
Amortization	8,211	-	-	8,211
Fair value gain (loss)	(494)	(6)	102	(398)
New financial assets originated or purchased	1,316,413	(1)	4	1,316,416
Foreign exchange	4,512	5	-	4,517
Derecognition of financial assets	(1,291,778)	-	-	(1,291,778)
Balance at December 31	259,858	-	119	259,977
Loan commitments and other contingent accounts				
Balance at January 1	606,864	1,079	49	607,992
New financial assets originated or purchased	130,177	133	-	130,310
Derecognition of financial assets	(247)	(865)	(49)	(1,161)
Balance at December 31	736,794	347	-	737,141

(k) *Sensitivity Analysis on ECL Measurement*

Set out below are the changes to the BDO Unibank Group's 12-month ECL as of December 31, 2025 and 2024 that would result from reasonably possible changes in these parameters from the actual assumptions used in the BDO Unibank Group's economic variable assumptions.

	2025			2024		
	Change in MEVs	Impact on ECL		Change in MEVs	Impact on ECL	
		Increase in MEVs	Decrease in MEVs		Increase in MEVs	Decrease in MEVs
Corporate or Commercial loans:						
GDP growth rate	+/-1%	-7.12%	7.12%	+/-1%	-3.80%	3.80%
Inflation rate	+/-1%	3.78%	-3.78%	+/-1%	0.43%	-0.74%
Credit Card Receivables or Personal Loans:						
GDP growth rate	+/-1%	-0.53%	0.53%	+/-1%	-0.80%	0.80%
Unemployment rate	+/-1%	3.02%	-4.77%	+/-1%	2.33%	-2.33%
Home/Housing Loans:						
GDP growth rate	+/-1%	-0.14%	0.14%	+/-1%	-0.09%	0.09%
Inflation rate	+/-1%	0.54%	-4.83%	+/-1%	0.14%	-0.24%
Auto Loans:						
GDP growth rate	+/-1%	-0.41%	0.41%	+/-1%	-0.45%	0.45%
Unemployment rate	+/-1%	3.61%	-5.70%	+/-1%	2.33%	-2.33%

4.4 *Operational Risk*

Operational risk is the risk of loss due to the BDO Unibank Group's:

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

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

Framework

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

The RMG provides the common risk language and management tools across the BDO Unibank Group as well as monitors the implementation of the ORM framework and policies. The business process owners, as risk owners, are responsible for identifying, assessing and limiting the impact of risk in their businesses/operations.

The BDO Unibank Group continues to conduct periodic Risk and Control Self-Assessment (RCSA) to enable business process owners to document their operational risks and the corresponding control mechanisms established to manage those risks. This ORM tool allows the BDO Unibank Group to identify risks the business/operation faces, assess the severity of those risks, evaluate the adequacy of key controls associated with the identified risks, and take proactive action to address any deficiencies identified.

The BDO Unibank Group also continues to use Key Risk Indicators (KRI) as alerts for operational risk vulnerabilities. Reporting of top KRIs to the BOD through the RMC is done quarterly.

The BDO Unibank Group likewise uses Loss Data Collection, Analysis and Reporting that allows the BDO Unibank Group to gather data per Basel loss event category across business lines. The collected data are processed for information and appropriate escalation, root cause analysis, control effectiveness and enables action plans to prevent recurrence.

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

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

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

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

4.5 Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the BDO Unibank Group faces under such contracts is that the actual claims and benefits payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated, and subsequent development of long-term claims.

(a) Terms and Conditions

The BDO Unibank Group principally writes life insurance where the life of the policyholder is insured against death, illness, injury or permanent disability, usually for a predetermined amount. Life insurance contracts offered by the BDO Unibank Group mainly include whole life, term insurance, endowments, VUL products, group life insurance, and accident and health insurance.

(b) *Underwriting risk*

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk – risk of loss arising from the policyholder’s death experience being higher than expected.
- Morbidity risk – risk of loss arising from the policyholder’s health experience being higher than expected.
- Expense risk – risk of loss arising from expense experience being higher than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

Underwriting guidelines and limits for insurance and reinsurance contracts are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting risks, the BDO Unibank Group’s Actuarial Department regularly assesses the adequacy of the insurance premiums and technical provisions. The risks of defaults by reinsurers are mitigated as the BDO Unibank Group only deals with accredited reinsurers. Additionally, provisions for known and unknown liabilities arising from the BDO Unibank Group’s commitments are calculated using prudent actuarial methods.

The main underwriting strategies of the BDO Unibank Group to control risk are the use of reinsurance and the controlled granting of non-medical authority (NMA) to the sales force. The NMA is being given only to members of the sales force who either qualify by virtue of field experience or by passing a certain underwriting and training program. Actual experience is closely monitored and corrective actions are executed whenever necessary.

The BDO Unibank Group utilizes surplus reinsurance programs to manage its mortality risk from large fluctuations in claim experience.

4.6 *Anti-Money Laundering Controls*

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

For AML transaction monitoring and end-to-end AML investigation, the Parent Bank has made substantial investments in a robust AML Solution (SAS EAML 8.2) that has been deployed in the Parent Bank, and across the enterprise in line with defined project scope and timelines. This system also facilitates the preparation and filing of Covered Transaction Reports and Suspicious Transaction Reports, including compliance with the relevant changes required under the Guidelines on Transaction Reporting and Compliance Submissions (GoTRACS) of the AMLC.

The Chief Compliance Officer directly reports to the BOD through the Board Audit Committee and is also a member of the AML Committee of the Parent Bank. The AML Committee, composed of senior officers from various units, is tasked to oversee the operational implementation of BDO’s AML/ Counter-Terrorist Financing (CTF)/ Counter-Proliferation Financing (CPF) Program.

4.7 Maturity Profile of Resources and Liabilities

The table below presents the maturity profile of resources and liabilities analyzed according to whether these are expected to be recovered or settled in less than 12 months and over 12 months from statement of financial position date:

<i>(Amounts in PHP)</i>	2025			2024		
	Within 12 Months	Beyond 12 Months	Total	Within 12 Months	Beyond 12 Months	Total
BDO Unibank Group						
Resources						
Cash and other cash items	119,359	-	119,359	109,744	-	109,744
Due from BSP and other banks - net	321,203	-	321,203	340,041	-	340,041
Trading and investment securities - net	152,281	832,412	984,693	190,884	685,224	876,108
Loans and other receivables - net	1,393,477	2,301,031	3,694,508	1,128,526	2,143,992	3,272,518
Premises, furniture, fixtures and equipment - net	-	62,470	62,470	-	54,204	54,204
Investment properties - net	-	42,838	42,838	-	33,825	33,825
Equity investments - net	-	5,251	5,251	-	4,711	4,711
Investment securities and other assets for life insurance contracts - net	36,137	100,677	136,814	8,181	113,730	121,911
Other resources - net	24,237	40,183	64,420	18,663	44,325	62,988
	<u>2,046,694</u>	<u>3,384,862</u>	<u>5,431,556</u>	<u>1,796,039</u>	<u>3,080,011</u>	<u>4,876,050</u>
Liabilities						
Deposit liabilities	4,152,255	37,536	4,189,791	3,743,846	50,181	3,794,027
Bills payable	141,671	210,147	351,818	141,793	119,677	261,470
Insurance contract and other liabilities for life insurance contracts	10,022	91,573	101,595	8,801	82,670	91,471
Other liabilities	123,223	20,983	144,206	131,884	19,803	151,687
	<u>4,427,171</u>	<u>360,239</u>	<u>4,787,410</u>	<u>4,026,324</u>	<u>272,331</u>	<u>4,298,655</u>
Parent Bank						
Resources						
Cash and other cash items	113,349	-	113,349	105,767	-	105,767
Due from BSP and other banks - net	305,958	-	305,958	324,326	-	324,326
Trading and investment securities - net	142,160	806,168	948,328	182,941	657,047	839,988
Loans and other receivables - net	1,285,708	2,281,157	3,566,865	1,121,265	2,047,492	3,168,757
Premises, furniture, fixtures and equipment - net	-	57,299	57,299	-	49,299	49,299
Investment properties - net	-	38,610	38,610	-	29,796	29,796
Equity investments - net	-	77,118	77,118	-	66,150	66,150
Other resources - net	22,930	36,783	59,713	18,573	38,542	57,115
	<u>1,870,105</u>	<u>3,297,135</u>	<u>5,167,240</u>	<u>1,752,872</u>	<u>2,888,326</u>	<u>4,641,198</u>
Liabilities						
Deposit liabilities	4,038,558	30,904	4,069,462	3,637,577	48,475	3,686,052
Bills payable	119,405	205,122	324,527	130,064	110,224	240,288
Other liabilities	112,906	18,497	131,403	123,563	15,980	139,543
	<u>4,270,869</u>	<u>254,523</u>	<u>4,525,392</u>	<u>3,891,204</u>	<u>174,679</u>	<u>4,065,883</u>

5. CAPITAL MANAGEMENT

5.1 Capital Management and Regulatory Capital

The Internal Capital Adequacy Assessment Process (ICAAP) document, as required by the BSP, articulates BDO Unibank Group's capital planning strategy and discusses governance, risk assessment, capital assessment and planning, capital adequacy monitoring and reporting, as well as internal control reviews. The BDO Unibank Group likewise incorporates sensitivity analysis and contingency planning, and has set benchmarks that will trigger management action when necessary. Annually as required, the BDO Unibank Group submits its updated ICAAP document to the BSP.

In implementing current capital requirements, the BSP requires BDO Unibank Group to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, as amended on January 1, 2019, which requires the BDO Unibank Group to maintain the following:

- (a) Common Equity Tier 1 (CET 1) of at least 6.0% of risk-weighted assets;
- (b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
- (c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets;
- (d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET 1 Capital; and,
- (e) Countercyclical Capital Buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%.

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

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

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

Under BSP Circular No. 854, universal banks with more than 100 branches are required to comply with the minimum capital requirement of P20 billion. As of December 31, 2025 and 2024, the Parent Bank has complied, and is well above the minimum capitalization requirement.

The BSP issued Circular No. 856 on the guidelines on the framework for dealing with domestic systemically important banks (DSIB) that is consistent with the Basel principles, as amended by BSP Circular No. 1051 dated September 27, 2019. Banks, which are identified as DSIB, shall be required to have a higher loss absorbency (HLA) depending on their computed systemic importance. The HLA requirement is aimed at ensuring that DSIBs have a higher share of their statements of financial position funded by instruments, which increase their resilience as a going concern. The HLA requirement is to be met with CET 1 capital.

Under BSP Circular No. 1051, banks identified by the BSP as DSIB are required to put up lower HLA to meet the CET 1 capital ranging from 1.50% to 2.50%, effective October 17, 2019.

BSP Circular No. 1024 requires banks to put up a CCyB, which is set initially at 0%, composed of CET 1. CCyB may be subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. This took effect on January 4, 2019.

BDO Unibank Group and the Parent Bank's regulatory capital position (computed using balances prepared under PFRS Accounting Standards) based on the Basel III risk-based capital adequacy framework as of December 31, 2025 and 2024 as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Tier 1 Capital				
CET 1	612,185	557,373	612,005	557,016
Additional Tier 1	6,180	6,180	6,180	6,180
	618,365	563,553	618,185	563,196
Tier 2 Capital	38,255	33,540	36,658	32,184
Total Regulatory Capital	656,620	597,093	654,843	595,380
Regulatory Deductions	(57,800)	(60,926)	(100,840)	(95,159)
Total Qualifying Capital	598,820	536,167	554,003	500,221
Total Risk-Weighted Assets	4,023,674	3,520,956	3,844,841	3,365,717
Capital ratios:				
Total Capital Ratio	14.9%	15.2%	14.4%	14.9%
Tier 1 Capital Ratio	13.9%	14.3%	13.5%	13.9%
Total CET 1 Ratio	13.8%	14.1%	13.3%	13.7%

At the end of each reporting period, the BDO Unibank Group and the Parent Bank have complied and are all well above the prescribed ratio of qualifying capital to risk-weighted assets.

5.2 Leverage Ratio

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

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

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

	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
BLR	10.2%	10.3%	9.9%	9.7%	9.9%	9.4%

5.3 Liquidity Coverage Ratio and Net Stable Funding Ratio

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

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

The BDO Unibank Group and the Parent Bank's LCR as of December 31, 2025, 2024 and 2023 have been stable and are comfortably above the regulatory floor as summarized below.

	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
LCR	121.2%	132.1%	123.2%	121.7%	134.1%	123.5%

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

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

The BDO Unibank Group and the Parent Bank's Basel III NSFR as of December 31, 2025, 2024 and 2023 have been stable and are comfortably above the regulatory floor as summarized below.

	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
NSFR	118.2%	122.1%	124.1%	117.5%	122.1%	123.8%

6. SEGMENT REPORTING

6.1 Business Segments

BDO Unibank Group's main operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of BDO Unibank Group in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies BDO Unibank Group's five service lines as primary operating segments. In addition, minor operating segments, for which quantitative thresholds have not been met, as described in PFRS 8, *Operating Segments*, are combined as Others.

- (a) **Commercial banking** – handles the entire lending (corporate and consumer), trade financing and cash management services for corporate and retail customers;
- (b) **Investment banking** – provides services to corporate clients outside the traditional loan and deposit products. These services include loan syndications, underwriting and placing of debt and equity securities, financial advisory services, and securities brokerage;
- (c) **Private banking** – provides traditional and non-traditional investment and structured products to high net worth individuals and institutional accounts;
- (d) **Leasing and financing** – provides direct leases, sale and leaseback arrangements, and real estate leases;

- (e) **Insurance** – engages in insurance brokerage and life insurance business by providing protection, education, savings, retirement and estate planning solutions to individual and corporate clients through life insurance products and services; and,
- (f) **Others** – includes remittance, holding and realty management, none of which individually constitutes a separate reportable segment.

These segments are the basis on which BDO Unibank Group reports its segment information. Transactions between the segments are on normal commercial terms and conditions. Inter-segment transactions are eliminated in consolidation.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on BDO Unibank Group's cost of capital. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of BDO Unibank Group's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

6.2 Analysis of Segment Information

Segment information (by service lines) as of and for the years ended December 31, 2025, 2024 and 2023 are as follows:

<i>(Amounts in PHP)</i>	<u>Commercial Banking</u>	<u>Investment Banking</u>	<u>Private Banking</u>	<u>Leasing and Financing</u>	<u>Insurance</u>	<u>Others</u>	<u>Total</u>
December 31, 2025							
Revenues							
From external customer							
Interest income	291,937	97	1,232	1,231	4,885	168	299,550
Interest expense	<u>(90,678)</u>	<u>2</u>	<u>(134)</u>	<u>(753)</u>	<u>1</u>	<u>(1)</u>	<u>(91,563)</u>
Net interest income	<u>201,259</u>	<u>99</u>	<u>1,098</u>	<u>478</u>	<u>4,886</u>	<u>167</u>	<u>207,987</u>
Intersegment revenue							
Interest income	834	16	-	-	11	60	921
Interest expense	<u>(315)</u>	<u>(40)</u>	<u>(99)</u>	<u>(165)</u>	<u>(318)</u>	<u>(11)</u>	<u>(948)</u>
Net interest income	<u>519</u>	<u>(24)</u>	<u>(99)</u>	<u>(165)</u>	<u>(307)</u>	<u>49</u>	<u>(27)</u>
Other operating income							
Investment banking fees	-	1,474	-	-	-	-	1,474
Others	<u>81,204</u>	<u>308</u>	<u>2,089</u>	<u>744</u>	<u>26,210</u>	<u>353</u>	<u>110,908</u>
	<u>81,204</u>	<u>1,782</u>	<u>2,089</u>	<u>744</u>	<u>26,210</u>	<u>353</u>	<u>112,382</u>
Total net revenues	<u>282,982</u>	<u>1,857</u>	<u>3,088</u>	<u>1,057</u>	<u>30,789</u>	<u>569</u>	<u>320,342</u>
Expenses							
Other operating expenses							
Depreciation and amortization	12,248	89	133	507	290	20	13,287
Impairment losses (recoveries)	14,964	(1)	-	44	(4)	3	15,006
Others	<u>148,576</u>	<u>877</u>	<u>2,341</u>	<u>430</u>	<u>22,822</u>	<u>321</u>	<u>175,367</u>
	<u>175,788</u>	<u>965</u>	<u>2,474</u>	<u>981</u>	<u>23,108</u>	<u>344</u>	<u>203,660</u>
Segment operating income	107,194	892	614	76	7,681	225	116,682
Tax expense	<u>17,879</u>	<u>241</u>	<u>187</u>	<u>56</u>	<u>1,703</u>	<u>56</u>	<u>20,122</u>
Segment net income	<u>89,315</u>	<u>651</u>	<u>427</u>	<u>20</u>	<u>5,978</u>	<u>169</u>	<u>96,560</u>

<i>(Amounts in PHP)</i>	<u>Commercial Banking</u>	<u>Investment Banking</u>	<u>Private Banking</u>	<u>Leasing and Financing</u>	<u>Insurance</u>	<u>Others</u>	<u>Total</u>
December 31, 2025							
Statement of Financial Position							
Total Resources							
Segment assets	5,306,291	6,741	30,848	21,159	140,816	6,413	5,512,268
Deferred tax assets (liabilities) - net	1,120	(158)	24	19	104	(2)	1,107
Intangible assets	8,018	72	86	10	73	-	8,259
	<u>5,315,429</u>	<u>6,655</u>	<u>30,958</u>	<u>21,188</u>	<u>140,993</u>	<u>6,411</u>	<u>5,521,634</u>
Total liabilities	<u>4,654,470</u>	<u>1,382</u>	<u>23,123</u>	<u>19,923</u>	<u>108,507</u>	<u>427</u>	<u>4,807,832</u>
Other segment information							
Capital expenditures	<u>20,332</u>	<u>8</u>	<u>76</u>	<u>639</u>	<u>92</u>	<u>6</u>	<u>21,153</u>
Investment in associate under equity method	-	-	-	-	-	5,404	5,404
Share in the profit of associates	-	-	-	-	-	1,661	1,661
December 31, 2024							
Revenues							
From external customer							
Interest income	269,538	92	1,285	883	4,499	242	276,539
Interest expense	(84,675)	(5)	(173)	(583)	7	(13)	(85,442)
Net interest income	<u>184,863</u>	<u>87</u>	<u>1,112</u>	<u>300</u>	<u>4,506</u>	<u>229</u>	<u>191,097</u>
Intersegment revenue							
Interest income	1,447	12	-	18	23	56	1,556
Interest expense	(234)	(92)	(47)	(642)	(588)	(10)	(1,613)
Net interest income	<u>1,213</u>	<u>(80)</u>	<u>(47)</u>	<u>(624)</u>	<u>(565)</u>	<u>46</u>	<u>(57)</u>
Other operating income							
Investment banking fees	-	2,432	-	-	-	-	2,432
Others	70,988	387	1,915	2,827	22,996	464	99,577
	<u>70,988</u>	<u>2,819</u>	<u>1,915</u>	<u>2,827</u>	<u>22,996</u>	<u>464</u>	<u>102,009</u>
Total net revenues	<u>257,064</u>	<u>2,826</u>	<u>2,980</u>	<u>2,503</u>	<u>26,937</u>	<u>739</u>	<u>293,049</u>
Expenses							
Other operating expenses							
Depreciation and amortization	10,999	86	121	1,054	328	22	12,610
Impairment losses (recoveries)	13,934	(1)	89	14	(7)	(3)	14,026
Others	129,903	931	2,074	1,690	19,795	303	154,696
	<u>154,836</u>	<u>1,016</u>	<u>2,284</u>	<u>2,758</u>	<u>20,116</u>	<u>322</u>	<u>181,332</u>
Segment operating income	102,228	1,810	696	(255)	6,821	417	111,717
Tax expense	18,920	472	269	191	1,541	78	21,471
Segment net income	<u>83,308</u>	<u>1,338</u>	<u>427</u>	<u>(446)</u>	<u>5,280</u>	<u>339</u>	<u>90,246</u>
Statement of Financial Position							
Total Resources							
Segment assets	4,757,066	6,829	33,075	15,167	125,955	6,168	4,944,260
Deferred tax assets (liabilities) - net	57	(162)	14	14	124	(2)	45
Intangible assets	8,038	90	116	-	79	1	8,324
	<u>4,765,161</u>	<u>6,757</u>	<u>33,205</u>	<u>15,181</u>	<u>126,158</u>	<u>6,167</u>	<u>4,952,629</u>
Total liabilities	<u>4,174,130</u>	<u>1,670</u>	<u>25,821</u>	<u>13,875</u>	<u>100,307</u>	<u>386</u>	<u>4,316,189</u>

	<u>Commercial Banking</u>	<u>Investment Banking</u>	<u>Private Banking</u>	<u>Leasing and Financing</u>	<u>Insurance</u>	<u>Others</u>	<u>Total</u>
Other segment information							
Capital expenditures	12,705	17	32	635	68	7	13,464
Investment in associate under equity method	-	-	-	-	-	4,864	4,864
Share in the profit of associates	-	-	-	-	-	1,397	1,397
December 31, 2023							
Revenues							
From external customer							
Interest income	229,384	70	1,261	695	4,080	294	235,784
Interest expense	(58,810)	6	(147)	(373)	(69)	3	(59,390)
Net interest income	170,574	76	1,114	322	4,011	297	176,394
Intersegment revenue							
Interest income	1,055	11	-	-	35	90	1,191
Interest expense	(230)	(49)	(17)	(12)	(793)	(122)	(1,223)
Net interest income	825	(38)	(17)	(12)	(758)	(32)	(32)
Other operating income							
Investment banking fees	-	1,781	-	-	-	-	1,781
Others	61,210	278	1,680	566	21,043	459	85,236
	61,210	2,059	1,680	566	21,043	459	87,017
Total net revenues	232,609	2,097	2,777	876	24,296	724	263,379
Expenses							
Other operating expenses							
Depreciation and amortization	11,984	88	105	400	286	82	12,945
Impairment losses	16,365	1	6	-	18	6	16,396
Others	114,816	1,017	1,573	267	17,903	365	135,941
	143,165	1,106	1,684	667	18,207	453	165,282
Segment operating income	89,444	991	1,093	209	6,089	271	98,097
Tax expense	21,361	306	305	50	1,525	74	23,621
Segment net income	68,083	685	788	159	4,564	197	74,476
Statement of Financial Position							
Total Resources							
Segment assets	4,360,295	6,415	30,331	27,784	119,632	10,790	4,555,247
Deferred tax assets (liabilities) - net	2,133	(151)	12	(1,579)	81	(5)	491
Intangible assets	8,205	52	142	1	53	-	8,453
	4,370,633	6,316	30,485	26,206	119,766	10,785	4,564,191
Total liabilities	3,847,611	1,857	23,512	17,563	97,739	2,296	3,990,578
Other segment information							
Capital expenditures	8,734	10	15	618	626	26	10,029
Investment in associate under equity method	-	-	-	-	-	4,032	4,032
Share in the profit of associates	-	-	-	-	-	1,273	1,273

6.3 Reconciliation

Presented below and in the succeeding page is a reconciliation of the BDO Unibank Group's segment information to the key financial information presented in its consolidated financial statements.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Revenue			
Total segment net revenues	320,342	293,049	263,379
Expenses of insurance operations presented as part of income attributable to insurance operations - net	(20,777)	(18,049)	(16,337)
Elimination of intersegment revenues	(11,829)	(10,666)	(2,968)
Net revenues as reported in profit or loss	287,736	264,334	244,074

<i>(Amounts in PHP)</i>	2025	2024	2023
Profit or loss			
Total segment net income	96,560	90,246	74,476
Elimination of intersegment profit	<u>(9,081)</u>	<u>(8,026)</u>	<u>(916)</u>
Net profit as reported in profit or loss	<u>87,479</u>	<u>82,220</u>	<u>73,560</u>
Resources			
Total segment resources	5,521,634	4,952,629	4,564,191
Elimination of intersegment assets	<u>(90,078)</u>	<u>(76,579)</u>	<u>(86,530)</u>
Total resources	<u>5,431,556</u>	<u>4,876,050</u>	<u>4,477,661</u>
Liabilities			
Total segment liabilities	4,807,832	4,316,189	3,990,578
Elimination of intersegment liabilities	<u>(20,422)</u>	<u>(17,534)</u>	<u>(31,471)</u>
Total liabilities	<u>4,787,410</u>	<u>4,298,655</u>	<u>3,959,107</u>

7. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

7.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities as of December 31 that are presented in the statements of financial position are shown below and in the succeeding page.

<i>(Amounts in PHP)</i>	BDO Unibank Group*			
	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and other cash items	119,359	119,359	109,744	109,744
Due from BSP	209,827	209,827	249,593	249,593
Due from other banks	111,376	111,424	90,448	90,485
Investment securities at amortized cost	615,210	609,105	576,591	557,019
Loans and other receivables	3,697,704	3,698,493	3,276,148	3,275,026
Other resources	13,331	13,331	11,803	11,803
	<u>4,766,807</u>	<u>4,761,539</u>	<u>4,314,327</u>	<u>4,293,670</u>
At fair value:				
Investment securities at FVTPL	71,062	71,062	64,001	64,001
Investment securities at FVOCI	427,973	427,973	349,528	349,528
	<u>499,035</u>	<u>499,035</u>	<u>413,529</u>	<u>413,529</u>
	<u>5,265,842</u>	<u>5,260,574</u>	<u>4,727,856</u>	<u>4,707,199</u>
Financial Liabilities				
At amortized cost:				
Deposit liabilities	4,189,791	4,198,593	3,794,027	3,801,843
Bills payable	351,818	347,586	261,470	260,914
Insurance contract liabilities	95,129	95,129	86,170	86,170
Other liabilities	133,417	133,417	138,273	138,273
	<u>4,770,155</u>	<u>4,774,725</u>	<u>4,279,940</u>	<u>4,287,200</u>
At fair value –				
Other liabilities	6,080	6,080	6,361	6,361
	<u>4,776,235</u>	<u>4,780,805</u>	<u>4,286,301</u>	<u>4,293,561</u>

*For purposes of comparing carrying amounts and fair value, assets and liabilities presented under Assets and liabilities for life insurance contracts are included within the respective financial asset and liability line items.

<i>(Amounts in PHP)</i>	Parent Bank			
	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Financial Assets</i>				
At amortized cost:				
Cash and other cash items	113,349	113,349	105,767	105,767
Due from BSP	208,467	208,467	246,815	246,815
Due from other banks	97,491	97,534	77,511	77,542
Investment securities at amortized cost	594,596	588,557	556,125	536,831
Loans and other receivables	3,566,865	3,567,720	3,168,757	3,169,449
Other resources	12,759	12,759	11,462	11,462
	<u>4,593,527</u>	<u>4,588,386</u>	<u>4,166,437</u>	<u>4,147,866</u>
At fair value:				
Investment securities at FVTPL	25,601	25,601	21,974	21,974
Investment securities at FVOCI	328,131	328,131	261,889	261,889
	<u>353,732</u>	<u>353,732</u>	<u>283,863</u>	<u>283,863</u>
	<u>4,947,259</u>	<u>4,942,118</u>	<u>4,450,300</u>	<u>4,431,729</u>
<i>Financial Liabilities</i>				
At amortized cost:				
Deposit liabilities	4,069,462	4,074,019	3,686,052	3,687,771
Bills payable	324,527	325,330	240,288	239,852
Other liabilities	119,583	119,583	125,956	125,956
	<u>4,513,572</u>	<u>4,518,932</u>	<u>4,052,296</u>	<u>4,053,579</u>
At fair value –				
Other liabilities	2,525	2,525	3,090	3,090
	<u>4,516,097</u>	<u>4,521,457</u>	<u>4,055,386</u>	<u>4,056,669</u>

Net income contributed by financial assets at FVTPL recognized in the BDO Unibank Group's statements of income under Interest Income, Other Operating Income and Income Attributable to Insurance Operations - Net amounted to P1,216, P329 and P1,350 in 2025, 2024 and 2023, respectively.

Gain (loss) on disposal of FVOCI debt securities recognized in BDO Unibank Group's statements of income under Other Operating Income and Income Attributable to Insurance Operations - Net amounted P245, P90 and (P39) in 2025, 2024 and 2023, respectively.

Income from equity instruments designated at FVOCI recognized in the BDO Unibank Group's statements of income under Other Operating Income and Income Attributable to Insurance Operations - Net, amounted to P314, P162 and P106 in 2025, 2024 and 2023, respectively.

Interest income from debt instruments recognized in the BDO Unibank Group's statements of income under Interest Income and Income Attributable to Insurance Operations - Net amounted to P15,776, P19,658 and P14,272 in 2025, 2024 and 2023, respectively, for debt instruments at FVOCI and P28,734, P26,908 and P23,117 in 2025, 2024 and 2023, respectively, for debt instruments at amortized cost.

7.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

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

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

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

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

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

7.3 Financial Instruments Measured at Fair Value

The financial assets and financial liabilities as of December 31, 2025 and 2024 are grouped into the fair value hierarchy as presented below and in the succeeding page.

BDO Unibank Group

(Amounts in PHP)

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2025</u>					
Resources:					
Financial assets at FVTPL:					
	10.1, 16.1				
Equity securities - quoted		26,274	1,062	-	27,336
Government debt securities		26,214	4,287	-	30,501
Corporate debt securities		6,598	642	-	7,240
Derivative financial assets		-	5,985	-	5,985
		<u>59,086</u>	<u>11,976</u>	<u>-</u>	<u>71,062</u>
Financial assets at FVOCI:					
	10.2, 16.1				
Government debt securities		269,161	63,318	-	332,479
Corporate debt securities		54,194	31,921	-	86,115
Equity securities - quoted		8,064	808	-	8,872
Equity securities - not quoted		-	-	507	507
		<u>331,419</u>	<u>96,047</u>	<u>507</u>	<u>427,973</u>
		<u>390,505</u>	<u>108,023</u>	<u>507</u>	<u>499,035</u>
Liabilities –					
Derivatives with negative fair values	21	<u>102</u>	<u>5,978</u>	<u>-</u>	<u>6,080</u>

BDO Unibank Group

(Amounts in PHP)

December 31, 2024

	Notes	Level 1	Level 2	Level 3	Total
Resources:					
Financial assets at FVTPL:					
Equity securities - quoted	10.1, 16.1	27,501	1,068	-	28,569
Government debt securities		16,391	6,261	-	22,652
Corporate debt securities		145	4,344	-	4,489
Derivative financial assets		-	8,291	-	8,291
		<u>44,037</u>	<u>19,964</u>	<u>-</u>	<u>64,001</u>
Financial assets at FVOCI:					
Government debt securities	10.2, 16.1	227,175	52,471	-	279,646
Corporate debt securities		29,807	31,465	-	61,272
Equity securities - quoted		7,781	565	-	8,346
Equity securities - not quoted		-	-	264	264
		<u>264,763</u>	<u>84,501</u>	<u>264</u>	<u>349,528</u>
		<u>308,800</u>	<u>104,465</u>	<u>264</u>	<u>413,529</u>
Liabilities –					
Derivatives with negative fair values	21	<u>101</u>	<u>6,260</u>	<u>-</u>	<u>6,361</u>

Parent Bank

(Amounts in PHP)

December 31, 2025

	Notes	Level 1	Level 2	Level 3	Total
Resources:					
Financial assets at FVTPL:					
Equity securities - quoted	10.1	1	-	-	1
Government debt securities		19,023	4,184	-	23,207
Corporate debt securities		36	253	-	289
Derivative financial assets		-	2,104	-	2,104
		<u>19,060</u>	<u>6,541</u>	<u>-</u>	<u>25,601</u>
Financial assets at FVOCI:					
Government debt securities	10.2	183,292	62,104	-	245,396
Corporate debt securities		49,261	31,344	-	80,605
Equity securities - quoted		1,181	808	-	1,989
Equity securities - not quoted		-	-	141	141
		<u>233,734</u>	<u>94,256</u>	<u>141</u>	<u>328,131</u>
		<u>252,794</u>	<u>100,797</u>	<u>141</u>	<u>353,732</u>
Liabilities –					
Derivatives with negative fair values	21	<u>102</u>	<u>2,423</u>	<u>-</u>	<u>2,525</u>

December 31, 2024

	Notes	Level 1	Level 2	Level 3	Total
Resources:					
Financial assets at FVTPL:					
Equity securities - quoted	10.1	11,004	6,050	-	17,054
Government debt securities		-	4,633	-	4,633
Corporate debt securities		105	181	-	286
Derivative financial assets		1	-	-	1
		<u>11,110</u>	<u>10,864</u>	<u>-</u>	<u>21,974</u>
Financial assets at FVOCI:					
Government debt securities	10.2	155,004	50,419	-	205,423
Corporate debt securities		23,774	30,776	-	54,550
Equity securities - quoted		1,206	564	-	1,770
Equity securities - not quoted		-	-	146	146
		<u>179,984</u>	<u>81,759</u>	<u>146</u>	<u>261,889</u>
		<u>191,094</u>	<u>92,623</u>	<u>146</u>	<u>283,863</u>
Liabilities –					
Derivatives with negative fair values	21	<u>101</u>	<u>2,989</u>	<u>-</u>	<u>3,090</u>

There have been no significant transfers among Levels 1 and 2 in the reporting periods.

Discussed below is the information about how fair values of the BDO Unibank Group and the Parent Bank's classes of financial assets are determined.

(a) Equity securities

- (i) Quoted equity securities classified as financial assets at FVTPL or financial assets at FVOCI have fair values that were determined based on their closing prices on the PSE. These instruments are included in Level 1.

Financial assets at FVTPL included in Level 2 pertain to investments in Unit Investment Trust Funds (UITFs). The fair value of these financial assets were derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period), as published by banks and the Investment Company Association of the Philippines.

Golf club shares classified as financial assets at FVOCI are included in Level 2 as their prices are not derived from an active market due to lack of trading activities among market participants at the end or close to the end of the reporting period.

- (ii) Unquoted equity securities consist of preferred shares and common shares of various unlisted local companies. For unquoted preferred shares, the fair value is determined based on their discounted amount of expected future cash flows or based on their cost which management estimates to approximate their fair values. For unlisted common shares which are classified as financial assets at FVOCI, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. These instruments are included in Level 3.

(b) Debt securities

The fair value of the debt securities of BDO Unibank Group and the Parent Bank, which are categorized within Level 1 and Level 2, is discussed below.

- (i) Fair values of peso-denominated government debt securities issued by the Philippine government are determined based on the reference price per Bloomberg which used Bloomberg Valuation (BVAL). These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.
- (ii) For corporate and other quoted debt securities, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

(c) Derivatives

The fair values of Republic of the Philippines (ROP) warrants which are categorized within Level 1, is determined to be the current mid-price based on the last trading transaction as defined by third-party market makers. The fair value of other derivative financial instruments, which are categorized within Level 2, is determined through valuation techniques using the net present value computation [see Note 3.2(c)].

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

The tables below and in the succeeding page summarize the fair value hierarchy of the BDO Unibank Group and the Parent Bank's financial assets and financial liabilities which are measured at amortized cost in the statements of financial position but for which fair value is disclosed.

BDO Unibank Group

(Amounts in PHP)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2025</u>				
Resources:				
Cash and other cash items	119,359	-	-	119,359
Due from BSP	209,827	-	-	209,827
Due from other banks	111,424	-	-	111,424
Investment securities at amortized cost	347,191	261,642	272	609,105
Loans and other receivables	-	-	3,698,493	3,698,493
Other resources	11,598	-	1,733	13,331
	<u>799,399</u>	<u>261,642</u>	<u>3,700,498</u>	<u>4,761,539</u>
Liabilities:				
Deposit liabilities	-	-	4,198,593	4,198,593
Bills payable	-	243,008	104,578	347,586
Insurance contract liabilities	-	-	95,129	95,129
Other liabilities	-	-	133,417	133,417
	<u>-</u>	<u>243,008</u>	<u>4,531,717</u>	<u>4,774,725</u>

December 31, 2024

Resources:				
Cash and other cash items	109,744	-	-	109,744
Due from BSP	249,593	-	-	249,593
Due from other banks	90,485	-	-	90,485
Investment securities at amortized cost	288,390	268,350	279	557,019
Loans and other receivables	-	-	3,275,026	3,275,026
Other resources	10,304	-	1,499	11,803
	<u>748,516</u>	<u>268,350</u>	<u>3,276,804</u>	<u>4,293,670</u>
Liabilities:				
Deposit liabilities	-	-	3,801,843	3,801,843
Bills payable	-	168,710	92,204	260,914
Insurance contract liabilities	-	-	86,170	86,170
Other liabilities	-	-	138,273	138,273
	<u>-</u>	<u>168,710</u>	<u>4,118,490</u>	<u>4,287,200</u>

Parent Bank

(Amounts in PHP)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2025</u>				
Resources:				
Cash and other cash items	113,349	-	-	113,349
Due from BSP	208,467	-	-	208,467
Due from other banks	97,534	-	-	97,534
Investment securities at amortized cost	334,202	254,355	-	588,557
Loans and other receivables	-	-	3,567,720	3,567,720
Other resources	11,595	-	1,164	12,759
	<u>765,147</u>	<u>254,355</u>	<u>3,568,884</u>	<u>4,588,386</u>
Liabilities:				
Deposit liabilities	-	-	4,074,019	4,074,019
Bills payable	-	243,008	82,322	325,330
Other liabilities	-	-	119,583	119,583
	<u>-</u>	<u>243,008</u>	<u>4,275,924</u>	<u>4,518,932</u>

Parent Bank

(Amounts in PHP)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2024</u>				
Resources:				
Cash and other cash items	105,767	-	-	105,767
Due from BSP	246,815	-	-	246,815
Due from other banks	77,542	-	-	77,542
Investment securities at amortized cost	277,562	259,269	-	536,831
Loans and other receivables	-	-	3,169,449	3,169,449
Other resources	10,301	-	1,161	11,462
	<u>717,987</u>	<u>259,269</u>	<u>3,170,610</u>	<u>4,147,866</u>
Liabilities:				
Deposit liabilities	-	-	3,687,771	3,687,771
Bills payable	-	168,710	71,142	239,852
Other liabilities	-	-	125,956	125,956
	<u>-</u>	<u>168,710</u>	<u>3,884,869</u>	<u>4,053,579</u>

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

(a) *Cash and Other Cash Items*

Cash consists primarily of funds in the form of Philippine currency notes and coins in the BDO Unibank Group and the Parent Bank's vault and those in the possession of tellers, including automated teller machines (see Note 8).

Other cash items include non-currency cash items (see Note 17) such as checks drawn on other banks that were received after the BDO Unibank Group and the Parent Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) *Due from BSP and Other Banks*

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

(c) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost is determined based on the reference price per Bloomberg which used BVAL for government debt securities and current mid-price for corporate and other quoted debt securities as discussed in Note 7.3(b).

(d) *Loans and Other Receivables*

Loans and other receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of expected future cash flows. Expected cash flows are discounted at current market rates to determine fair value.

(e) *Deposits and Borrowings*

The estimated fair value of demand deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The fair value of Bills Payable under Level 2 is computed based on the average of ask and bid prices as appearing on Bloomberg. For Bills Payable categorized within Level 3, the BDO Unibank Group and the Parent Bank classify financial instruments that have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is determined based on their discounted amount of expected future cash flows or based on their cost which management estimates to approximate their fair values.

(f) *Other Resources and Liabilities*

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

7.5 Fair Value Measurement for Non-financial Assets

Details of BDO Unibank Group and Parent Bank's investment properties and the information about the fair value hierarchy as of December 31, 2025 and 2024 are shown below.

(Amounts in PHP)	BDO Unibank Group				Parent Bank			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
December 31, 2025								
Investment properties:								
Land	-	-	41,914	41,914	-	-	33,603	33,603
Building and improvements	-	-	41,914	41,914	-	-	39,568	39,568
Non-current assets held for sale	-	-	1,467	1,467	-	-	1,467	1,467
	<u>-</u>	<u>-</u>	<u>85,295</u>	<u>85,295</u>	<u>-</u>	<u>-</u>	<u>74,638</u>	<u>74,638</u>
December 31, 2024								
Investment properties:								
Land	-	-	36,325	36,325	-	-	28,782	28,782
Building and improvements	-	-	35,707	35,707	-	-	30,493	30,493
Non-current assets held for sale	-	-	1,185	1,185	-	-	1,185	1,185
	<u>-</u>	<u>-</u>	<u>73,217</u>	<u>73,217</u>	<u>-</u>	<u>-</u>	<u>60,460</u>	<u>60,460</u>

The fair value of the investment properties of the BDO Unibank Group and the Parent Bank as of December 31, 2025 and 2024 (see Note 14) was determined on the basis of a valuation carried out on the respective dates by either an independent or internal appraiser having appropriate qualifications and relevant experience in the valuation of properties in the respective locations.

As part of the valuation process, the appraisers held discussions with the management of the BDO Unibank Group and the Parent Bank with respect to key inputs such as size, age and condition of the land and buildings, as well as the comparable prices for similar properties in the area.

In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in its highest and best use. Based on management's assessment, the best use of the investment properties of the BDO Unibank Group and the Parent Bank indicated above is their current use. The fair value discussed above as determined by the appraisers were used by the BDO Unibank Group and the Parent Bank in determining the fair value of investment properties and non-current assets held for sale.

The fair value of these investment properties and assets held for sale was determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 3 fair value of land was derived using the observable recent prices of the reference properties, which were adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

(b) *Fair Value Measurement for Buildings and Improvements*

The Level 3 fair value of the buildings and improvements was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

(c) *Fair Value Measurement for Assets Held for Sale*

The fair value of assets held for sale is determined based on the recent experience in the valuation of comparable properties. This fair value, determined under Level 3 measurement, is derived using the market data approach that reflects that recent transaction prices for comparable properties, adjusted for differences in property age and condition.

There has been no change to the valuation techniques used by BDO Unibank Group for its non-financial assets in 2025 and 2024. Further, there were no transfers into or out of Level 3 fair value hierarchy in 2025 and 2024.

7.6 *Offsetting Financial Assets and Financial Liabilities*

Certain financial assets of the BDO Unibank Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2025 and 2024 are subject to offsetting, enforceable master netting arrangements and similar agreements.

BDO Unibank Group

<i>(Amounts in PHP)</i>	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
		Financial instruments	Collateral received	
<u>December 31, 2025</u>				
Loans and other receivables - net	3,694,508	-	(9,168)	3,685,340
Trading and investment securities - net	984,693	(12,240)	-	972,453
	<u>4,679,201</u>	<u>(12,240)</u>	<u>(9,168)</u>	<u>4,657,793</u>
<u>December 31, 2024</u>				
Loans and other receivables - net	3,272,518	-	(8,682)	3,263,836
Trading and investment securities - net	876,108	(14,408)	-	861,700
	<u>4,148,626</u>	<u>(14,408)</u>	<u>(8,682)</u>	<u>4,125,536</u>

Parent Bank

<i>(Amounts in PHP)</i>	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
		Financial instruments	Collateral received	
December 31, 2025				
Loans and other receivables - net	3,566,865	-	(8,967)	3,557,898
Trading and investment securities - net	948,328	(11,395)	-	936,933
	4,515,193	(11,395)	(8,967)	4,494,831
December 31, 2024				
Loans and other receivables - net	3,168,757	-	(8,672)	3,160,085
Trading and investment securities - net	839,988	(13,186)	-	826,802
	4,008,745	(13,186)	(8,672)	3,986,887

Included in the trading and investment securities - net are the currency forwards and interest rate swaps with accrued interest receivable and accrued interest payable subject to enforceable master netting arrangements but were not set-off and presented at gross in the statements of financial position.

Likewise, certain financial liabilities with net amounts presented in the statements of financial position of the BDO Unibank Group and the Parent Bank are also subject to offsetting, enforceable master netting arrangements, and similar agreements.

BDO Unibank Group

<i>(Amounts in PHP)</i>	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
		Financial instruments	Collateral received	
December 31, 2025				
Deposit liabilities	4,189,791	(9,168)	-	4,180,623
Bills payable	351,818	(11,178)	-	340,640
Other liabilities	144,206	(1,062)	-	143,144
	4,685,815	(21,408)	-	4,664,407
December 31, 2024				
Deposit liabilities	3,794,027	(8,682)	-	3,785,345
Bills payable	261,470	(13,723)	-	247,747
Other liabilities	151,687	(685)	-	151,002
	4,207,184	(23,090)	-	4,184,094

Parent Bank

<i>(Amounts in PHP)</i>	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
		Financial instruments	Collateral received	
December 31, 2025				
Deposit liabilities	4,069,462	(8,967)	-	4,060,495
Bills payable	324,527	(11,178)	-	313,349
Other liabilities	131,403	(217)	-	131,186
	4,525,392	(20,362)	-	4,505,030
December 31, 2024				
Deposit liabilities	3,686,052	(8,672)	-	3,677,380
Bills payable	240,288	(13,155)	-	227,133
Other liabilities	139,543	(31)	-	139,512
	4,065,883	(21,858)	-	4,044,025

For the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements, each arrangement between the BDO Unibank Group and counterparties allows for net settlement of the relevant financial instruments when both parties elect to settle on a net basis. In the absence of such an election, the financial assets and financial liabilities are settled on a gross basis; however, in the event of counterparty default, either party to the master netting agreement or similar agreement has the option to settle all such amounts on a net basis.

8. CASH AND BALANCES WITH THE BSP

These accounts are composed of the following:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Cash and other cash items	119,359	109,744	113,349	105,767
Due from BSP:				
Mandatory reserves	170,153	217,803	169,408	216,856
Other than mandatory reserves	39,674	31,790	39,059	29,959
	209,827	249,593	208,467	246,815
	329,186	359,337	321,816	352,582

Mandatory reserves represent the balance of the deposit accounts maintained with the BSP to meet reserve requirements and to serve as clearing accounts for interbank claims (see Note 19).

The Parent Bank opened a Special Savings Account (SSA) with the BSP to comply with InstaPay facility requirement. As of December 31, 2025 and 2024, the balance of this account amounted to P4,484 and P2,393, respectively, and is presented as part of Due from BSP.

Due from BSP, excluding mandatory reserves which has no interest, bears annual interest rate of 4.00% to 6.25% in 2025, 5.25% to 6.65% in 2024, and 5.00% to 6.76% in 2023.

The total interest income earned amounted to P1,769, P3,023, and P5,201 in 2025, 2024 and 2023, respectively, in BDO Unibank Group's statements of income, and P1,718, P2,975 and P5,146 in 2025, 2024 and 2023, respectively, in the Parent Bank's statements of income (see Note 23).

Cash and other cash items and balances with the BSP are included in cash and cash equivalents for statements of cash flows purposes.

9. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

<i>(Amounts in PHP)</i>	Note	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Foreign banks		99,878	80,495	96,309	76,390
Local banks		11,546	9,990	1,225	1,152
		111,424	90,485	97,534	77,542
Allowance for impairment	18	(48)	(37)	(43)	(31)
		111,376	90,448	97,491	77,511

The breakdown of this account as to currency follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
USD	90,334	51,427	86,764	47,374
Other foreign currencies	10,910	32,432	10,324	29,716
Philippine pesos	10,132	6,589	403	421
	<u>111,376</u>	<u>90,448</u>	<u>97,491</u>	<u>77,511</u>

Annual interest rates on these deposits range from:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
BDO Unibank Group	0.00% – 6.38%	0.00% – 6.38%	0.00% – 6.40%
Parent Bank	0.00% – 4.46%	0.00% – 5.25%	0.00% – 5.46%

Deposits with other banks include both interest bearing and non-interest bearing accounts. Interest income arising from these deposits amounted to P3,576, P3,215, and P2,538 in 2025, 2024, and 2023, respectively, for the BDO Unibank Group, and P3,036, P2,625, and P2,171, in 2025, 2024, and 2023, for the same period for the Parent Bank, as presented in their respective statements of income (see Note 23).

Except for margin deposits amounting to P2,583 and P2,188 as of December 31, 2025 and 2024, respectively, for the BDO Unibank Group, and P532 and P300 as of the same reporting dates for the Parent Bank, Due from other banks are included in cash and cash equivalents for purposes of the statements of cash flows.

10. TRADING AND INVESTMENT SECURITIES

The components of this account are shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	BDO Unibank Group		Parent Bank	
		<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Financial assets at FVTPL	10.1	33,527	27,929	25,601	21,974
Financial assets at FVOCI	10.2	336,587	272,225	328,131	261,889
Investment securities at amortized cost - net	10.3	614,579	575,954	594,596	556,125
		<u>984,693</u>	<u>876,108</u>	<u>948,328</u>	<u>839,988</u>

10.1 Financial Assets at FVTPL

This account is composed of the following:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Government debt securities	25,494	18,114	23,207	17,054
Derivative financial assets	5,985	8,291	2,104	4,633
Corporate debt securities	950	386	289	286
	32,429	26,791	25,600	21,973
Equity securities - quoted	1,098	1,138	1	1
	33,527	27,929	25,601	21,974

All financial assets at FVTPL are held for trading. The following tables show the net income contributed by financial assets at FVTPL to the BDO Unibank Group and the Parent Bank.

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group		
		2025	2024	2023
Interest income	23	806	520	128
Trading gain (loss) - net	25	537	(233)	1,439
Foreign exchange loss	25	(81)	(56)	(309)
Dividend income	25	2	56	1
Net income		1,264	287	1,259

	Notes	Parent Bank		
		2025	2024	2023
Interest income	23	765	500	89
Trading gain (loss) - net	25	164	(491)	1,223
Foreign exchange gain	25	48	104	46
Net income		977	113	1,358

Effective interest rates of debt securities at FVTPL range from:

	2025	2024	2023
<u>BDO Unibank Group</u>			
Government debt securities	0.00% – 9.50%	0.00% – 9.50%	0.25% – 9.50%
Corporate debt securities	2.50% – 8.00%	0.00% – 9.38%	2.00% – 8.62%
<u>Parent Bank</u>			
Government debt securities	0.00% – 9.50%	0.00% – 9.50%	1.65% – 9.50%
Corporate debt securities	2.50% – 8.00%	0.00% – 9.38%	2.00% – 8.62%

Foreign currency-denominated securities amounted to P8,197 and P7,440 as of December 31, 2025 and 2024, respectively, in the BDO Unibank Group's statements of financial position, and P5,228 and P6,047 as of December 31, 2025 and 2024, respectively, in the Parent Bank's statements of financial position.

Derivative instruments used by BDO Unibank Group include foreign currency and interest rate forwards/futures, foreign currency and interest rate swaps. Income derived from these derivative instruments are recognized as part of Trading gains (losses) under Other Operating Income in the statements of income (see Note 25).

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and financial liabilities are shown below [see Notes 21 and 27(d)(i)(4)].

<i>(Amounts in PHP)</i>	2025			2024		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
BDO Unibank Group						
Currency forwards/futures	480,702	1,582	2,062	529,441	4,256	2,594
Cross currency swaps	67,144	4,305	3,793	46,491	4,007	346
ROP warrants	8,475	-	102	8,475	-	101
Interest rate swaps	13,342	98	123	3,432	28	3,320
	<u>569,663</u>	<u>5,985</u>	<u>6,080</u>	<u>587,839</u>	<u>8,291</u>	<u>6,361</u>
Parent Bank						
Currency forwards/futures	465,012	1,576	1,937	524,322	4,217	2,594
ROP warrants	8,475	-	103	8,475	-	101
Cross currency swaps	8,943	430	362	5,731	388	372
Interest rate swaps	13,342	98	123	3,432	28	23
	<u>495,772</u>	<u>2,104</u>	<u>2,525</u>	<u>541,960</u>	<u>4,633</u>	<u>3,090</u>

Certain financial assets at FVTPL amounting P1,062 and P685 for the BDO Unibank Group and P217 and P31 for the Parent Bank as of December 31, 2025 and 2024, respectively, are subject to offsetting against the related derivatives with negative fair values. This indicates enforceable master netting arrangements and similar agreements with an intention to settle on a net basis (see Note 7.6).

10.2 Financial Assets at FVOCI

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

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Government debt securities	252,865	214,905	245,396	205,423
Corporate debt securities	81,186	55,243	80,609	54,554
Equity securities:				
Quoted	2,033	1,817	1,989	1,770
Not quoted	507	264	141	146
	<u>336,591</u>	<u>272,229</u>	<u>328,135</u>	<u>261,893</u>
Allowance for impairment	(4)	(4)	(4)	(4)
	<u>336,587</u>	<u>272,225</u>	<u>328,131</u>	<u>261,889</u>

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

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Foreign currencies	171,700	124,185	170,915	122,742
Philippine pesos	164,887	148,040	157,216	139,147
	<u>336,587</u>	<u>272,225</u>	<u>328,131</u>	<u>261,889</u>

The maturity profile of this account is presented below.

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Within one year	39,406	89,738	39,213	88,884
One to five years	207,687	117,874	201,665	111,877
Beyond five years	89,494	64,613	87,253	61,128
	<u>336,587</u>	<u>272,225</u>	<u>328,131</u>	<u>261,889</u>

Effective interest rates of financial assets at FVOCI range from:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>BDO Unibank Group</u>			
Government debt securities	0.54% – 6.81%	1.84% – 7.44%	1.84% – 7.95%
Corporate debt securities	2.13% – 9.27%	2.14% – 9.38%	1.84% – 8.76%
<u>Parent Bank</u>			
Government debt securities	0.54% – 6.81%	1.84% – 7.44%	1.84% – 7.95%
Corporate debt securities	2.13% – 9.27%	2.14% – 9.38%	1.84% – 8.76%

The fair values of government debt, quoted equity securities and corporate debt securities have been determined directly by reference to published prices generated in an active market (see Note 7.3).

The reconciliation of the carrying amounts of financial assets at FVOCI reported under Trading and Investments Securities - Net is shown below:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	272,225	236,578	261,889	224,579
Additions	1,046,426	1,332,272	1,032,288	1,324,855
Disposals	(990,320)	(1,301,208)	(974,022)	(1,292,019)
Foreign currency revaluation	3,205	4,592	3,183	4,504
Unrealized fair value gains (losses)	4,897	(177)	4,649	(196)
Realized fair value losses	154	172	144	170
Impairment loss - net	-	(4)	-	(4)
Balance at end of year	<u>336,587</u>	<u>272,225</u>	<u>328,131</u>	<u>261,889</u>

The reconciliation of NUGL on FVOCI of financial assets at FVOCI presented under Trading and Investment Securities - Net and under Investment Securities and Other Assets for Life Insurance Contracts - Net (see Note 16.1), reported under equity is shown below.

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Balance at beginning of year	(12,980)	(12,210)	(8,518)	(8,471)
Changes on unrealized fair value gains (losses) during the year:				
Fair value gains (losses) during the year	5,290	(722)	4,649	(196)
Expected credit losses (recoveries) on FVOCI securities	9	(25)	13	(16)
Deferred tax liabilities	(28)	(3)	(27)	(5)
	(7,709)	(12,960)	(3,883)	(8,688)
Realized fair value losses (gains) on securities disposed during the year - net	7	(20)	145	170
Balance at end of year	(7,702)	(12,980)	(3,738)	(8,518)
Net unrealized fair value gains (losses), net of tax:				
Attributable to:				
Shareholder of the Parent Bank	5,290	(722)		
Non-controlling interest	21	5		
	5,311	(717)		

The BDO Unibank Group disposed of equity securities classified as FVOCI amounting to P48, P4 and P3 in 2025, 2024 and 2023, respectively.

Unrealized fair value gains and losses recognized in the NUGL account are not reclassified to profit or loss. Instead, these are transferred directly to Surplus Free, except for debt securities classified as FVOCI, wherein, fair value changes are recycled to profit or loss upon disposal.

The BDO Unibank Group and the Parent Bank recognized gains (losses) on disposal of FVOCI debt securities amounting to P235 and P244, respectively, in 2025, P89 and P91, respectively, in 2024, and (P31) and (P3), respectively, in 2023. The gains (losses) recognized from this disposal is presented as part of Trading gains (losses) under Other Operating Income in the statements of income (see Note 25).

Impairment losses (recoveries) recognized for FVOCI debt securities presented in NUGL for BDO Unibank Group and the Parent Bank amounted to P8 and P13, respectively, in 2025, (P25) and (P17), respectively, in 2024 and P108 and P97, respectively, in 2023 (see Note 18). The total accumulated impairment losses presented in NUGL for the BDO Unibank Group and the Parent Bank amounted to P209 and P196 respectively, as of December 31, 2025, and P200 and P187, respectively, as of December 31, 2024 (see Note 4.3.5).

10.3 Investment Securities at Amortized Cost

This account consists of:

<i>(Amounts in PHP)</i>	Note	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Government debt securities		508,046	492,529	489,727	474,652
Corporate debt securities:					
Quoted		106,755	83,874	105,088	81,919
Not quoted		1,563	1,663	1,563	1,663
		<u>616,364</u>	<u>578,066</u>	<u>596,378</u>	<u>558,234</u>
Allowance for impairment	18	<u>(1,785)</u>	<u>(2,112)</u>	<u>(1,782)</u>	<u>(2,109)</u>
		<u>614,579</u>	<u>575,954</u>	<u>594,596</u>	<u>556,125</u>

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

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Foreign currencies	228,711	188,376	224,926	183,854
Philippine pesos	385,868	387,578	369,670	372,271
	<u>614,579</u>	<u>575,954</u>	<u>594,596</u>	<u>556,125</u>

The maturity profile of this account is presented below.

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Less than one year	82,349	76,139	77,521	72,263
One to five years	318,686	259,810	310,751	250,897
Beyond five years	213,544	240,005	206,324	232,965
	<u>614,579</u>	<u>575,954</u>	<u>594,596</u>	<u>556,125</u>

The reconciliation of the carrying amounts of investment securities at amortized cost is as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Balance at beginning of year	575,954	573,480	556,125	554,643
Additions	174,234	128,567	145,895	117,882
Maturities and disposals	(141,331)	(134,598)	(113,081)	(124,675)
Foreign currency gains - net	5,700	8,407	5,635	8,186
Impairment recovery	22	98	22	89
	<u>614,579</u>	<u>575,954</u>	<u>594,596</u>	<u>556,125</u>

Effective interest rates of investment securities at amortized cost range from:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>BDO Unibank Group</u>			
Government debt securities	0.76% – 7.47%	0.65% – 7.47%	0.47% – 10.25%
Corporate debt securities	1.82% – 7.60%	1.82% – 7.60%	1.29% – 7.81%
<u>Parent Bank</u>			
Government debt securities	0.76% – 7.47%	0.65% – 7.47%	0.47% – 7.47%
Corporate debt securities	1.82% – 7.60%	1.82% – 7.60%	1.82% – 7.81%

In 2025 and 2024, the BDO Unibank Group and the Parent Bank disposed of debt securities from its amortized cost portfolio amounting to P347 and P353, respectively, resulting in a net trading loss amounting to P6 and nil, respectively. These disposals were all initiated by the issuers. The net loss recognized from these disposals is presented as part of Trading gains (losses) under Other Operating Income in the statements of income (see Note 25).

Management has assessed that such disposals of investment securities in 2025 and 2024 are consistent with the BDO Unibank Group and the Parent Bank's investment at amortized cost business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the BDO Unibank Group's business model in managing financial assets manual and the requirements of PFRS 9. The disposal of investment securities was approved by the Investments Committee in compliance with the documentation requirements of the BSP.

As mentioned in Note 28, certain government debt securities are deposited with the BSP.

11. LOANS AND OTHER RECEIVABLES

The loans and other receivables account consists of the following:

<i>(Amounts in PHP)</i>	Notes	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Receivables from customers:					
Loans and discounts	27, 34.2.1	3,288,615	2,894,293	3,154,720	2,789,625
Credit card receivables		283,314	215,382	283,314	215,382
Customers' liabilities under letters of credit and trust receipts		70,321	103,272	70,321	103,272
Bills purchased		13,646	13,700	13,642	13,697
		<u>3,655,896</u>	<u>3,226,647</u>	<u>3,521,997</u>	<u>3,121,976</u>
Unearned interests or discounts		(1,226)	(1,417)	(479)	(561)
Allowance for impairment	18	<u>(83,840)</u>	<u>(89,097)</u>	<u>(81,156)</u>	<u>(86,655)</u>
		<u>(85,066)</u>	<u>(90,514)</u>	<u>(81,635)</u>	<u>(87,216)</u>
		<u>3,570,830</u>	<u>3,136,133</u>	<u>3,440,362</u>	<u>3,034,760</u>
Other receivables:					
Interbank loans receivables		57,420	81,988	64,673	82,567
Reverse repurchase agreements		23,170	25,463	21,669	25,012
Accounts receivable	27	43,416	29,137	41,339	27,334
Sales contract receivables		1,658	1,864	1,621	1,843
Others		1,079	927	-	-
		<u>126,743</u>	<u>139,379</u>	<u>129,302</u>	<u>136,756</u>
Allowance for impairment	18	<u>(3,065)</u>	<u>(2,994)</u>	<u>(2,799)</u>	<u>(2,759)</u>
		<u>123,678</u>	<u>136,385</u>	<u>126,503</u>	<u>133,997</u>
		<u>3,694,508</u>	<u>3,272,518</u>	<u>3,566,865</u>	<u>3,168,757</u>

The maturity profile of receivable from customers (net of unearned interest or discounts) based on the remaining term is presented below.

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Less than one year	1,226,611	1,054,600	1,219,309	1,048,312
One to five years	1,211,385	1,139,230	1,111,185	1,060,428
Beyond five years	1,216,674	1,031,400	1,191,024	1,012,675
	<u>3,654,670</u>	<u>3,225,230</u>	<u>3,521,518</u>	<u>3,121,415</u>

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to type of interest rate follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Variable interest rates	2,823,400	2,585,736	2,803,292	2,472,274
Fixed interest rates	831,270	639,494	718,226	649,141
	<u>3,654,670</u>	<u>3,225,230</u>	<u>3,521,518</u>	<u>3,121,415</u>

Annual interest rates ranges from:

	2025	2024	2023
Loans and discounts	0.00% – 42.00%	0.00% – 60.96%	0.00% – 60.96%
Other receivables	0.05% – 16.00%	0.00% – 16.00%	0.00% – 19.00%

The total interest income earned (see Note 23) amounted to:

<i>(Amounts in PHP)</i>	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
Loans and discounts	237,555	215,974	183,348	225,320	206,691	175,534
Other receivables	6,298	6,761	6,719	6,515	6,822	6,751
	<u>243,853</u>	<u>222,735</u>	<u>190,067</u>	<u>231,835</u>	<u>213,513</u>	<u>182,285</u>

Interest income recognized on impaired loans and receivables amounted to P34,556, P28,459 and P23,713 in 2025, 2024 and 2023, respectively, for the BDO Unibank Group, and P34,545, P28,234 and P23,706 in 2025, 2024 and 2023, respectively, for the Parent Bank.

Certain receivables from customers of the BDO Unibank Group and the Parent Bank amounting to P9,812 and P8,967, respectively, as of December 31, 2025 and P10,092 and P8,672, respectively, as of December 31, 2024, are subject to offsetting with the corresponding collaterals received as a means of security amounting to P9,168 and P8,967, respectively, as of December 31, 2025, and P8,682 and P8,672, respectively, as of December 31, 2024, indicating a legally enforceable right to offset the recognized amounts with an intention to settle on a net basis (see Note 7.6).

Impairment losses recognized for loans and receivables for BDO Unibank Group and the Parent Bank amounted to P14,608 and P13,452, respectively, in 2025, P14,404 and P13,272, respectively, in 2024, and P15,764 and P15,041, respectively, in 2023 (see Note 18).

12. PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of premises, furniture, fixtures and equipment at the beginning and end of 2025 and 2024 are shown below.

BDO Unibank Group

<i>(Amounts in PHP)</i>	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
December 31, 2025							
Cost	10,518	37,643	24,657	10,595	9,294	24,787	117,494
Accumulated depreciation and amortization	-	(24,141)	(9,813)	(8,432)	-	(12,014)	(54,400)
Allowance for impairment (see Note 18)	<u>(330)</u>	<u>-</u>	<u>(294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(624)</u>
Net Carrying Amount	<u>10,188</u>	<u>13,502</u>	<u>14,550</u>	<u>2,163</u>	<u>9,294</u>	<u>12,773</u>	<u>62,470</u>
December 31, 2024							
Cost	8,812	35,061	25,248	9,514	4,245	22,585	105,465
Accumulated depreciation and amortization	-	(22,998)	(8,965)	(7,969)	-	(10,707)	(50,639)
Allowance for impairment (see Note 18)	<u>(330)</u>	<u>-</u>	<u>(292)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(622)</u>
Net Carrying Amount	<u>8,482</u>	<u>12,063</u>	<u>15,991</u>	<u>1,545</u>	<u>4,245</u>	<u>11,878</u>	<u>54,204</u>
January 1, 2024							
Cost	8,810	30,453	24,679	9,106	1,930	20,623	95,601
Accumulated depreciation and amortization	-	(21,437)	(8,145)	(7,694)	-	(9,621)	(46,897)
Allowance for impairment (see Note 18)	<u>(330)</u>	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(619)</u>
Net Carrying Amount	<u>8,480</u>	<u>9,016</u>	<u>16,245</u>	<u>1,412</u>	<u>1,930</u>	<u>11,002</u>	<u>48,085</u>

Parent Bank

<i>(Amounts in PHP)</i>	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
December 31, 2025							
Cost	9,793	32,586	22,578	8,944	9,289	23,293	106,483
Accumulated depreciation and amortization	-	(20,940)	(9,034)	(7,392)	-	(11,342)	(48,708)
Allowance for impairment (see Note 18)	<u>(192)</u>	<u>-</u>	<u>(284)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(476)</u>
Net Carrying Amount	<u>9,601</u>	<u>11,646</u>	<u>13,260</u>	<u>1,552</u>	<u>9,289</u>	<u>11,951</u>	<u>57,299</u>
December 31, 2024							
Cost	8,082	30,278	23,275	8,167	4,238	21,300	95,340
Accumulated depreciation and amortization	-	(20,088)	(8,233)	(7,096)	-	(10,148)	(45,565)
Allowance for impairment (see Note 18)	<u>(192)</u>	<u>-</u>	<u>(284)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(476)</u>
Net Carrying Amount	<u>7,890</u>	<u>10,190</u>	<u>14,758</u>	<u>1,071</u>	<u>4,238</u>	<u>11,152</u>	<u>49,299</u>
January 1, 2024							
Cost	8,080	25,847	22,737	7,949	1,929	20,299	86,841
Accumulated depreciation and amortization	-	(18,541)	(7,463)	(6,956)	-	(9,527)	(42,487)
Allowance for impairment (see Note 18)	<u>(192)</u>	<u>-</u>	<u>(284)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(476)</u>
Net Carrying Amount	<u>7,888</u>	<u>7,306</u>	<u>14,990</u>	<u>993</u>	<u>1,929</u>	<u>10,772</u>	<u>43,878</u>

A reconciliation of the carrying amounts at the beginning and end of 2025 and 2024 of premises, furniture, fixtures and equipment is shown below.

BDO Unibank Group

<i>(Amounts in PHP)</i>	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
Balance at January 1, 2025, net of accumulated depreciation, amortization and impairment	8,482	12,063	15,991	1,545	4,245	11,878	54,204
Additions	1,764	4,301	273	1,164	5,128	4,654	17,284
Disposals	(12)	(100)	-	-	-	(68)	(180)
Reclassifications (see Note 14)	(46)	506	(976)	89	(78)	-	(505)
Impairment	-	-	(2)	-	-	-	(2)
Adjustments	-	-	-	-	-	(16)	(16)
Reversal	-	-	(1)	-	(1)	-	(2)
Foreign exchange revaluation	-	4	101	2	-	4	111
Depreciation and amortization charges for the year	-	(3,272)	(836)	(637)	-	(3,679)	(8,424)
Balance at December 31, 2025, net of accumulated depreciation, amortization and impairment	10,188	13,502	14,550	2,163	9,294	12,773	62,470
Balance at January 1, 2024, net of accumulated depreciation, amortization and impairment	8,480	9,016	16,245	1,412	1,930	11,002	48,085
Additions	2	6,017	502	750	2,363	4,403	14,037
Disposals	-	(53)	-	(84)	-	(41)	(178)
Reclassifications (see Note 14)	-	39	44	39	(46)	-	76
Impairment	-	-	(2)	-	-	-	(2)
Adjustments	-	-	-	(1)	-	(28)	(29)
Reversal	-	-	-	(1)	(3)	-	(4)
Foreign exchange revaluation	-	-	22	-	-	30	52
Effect of merger	-	-	-	-	1	-	1
Depreciation and amortization charges for the year	-	(2,956)	(820)	(570)	-	(3,488)	(7,834)
Balance at December 31, 2024, net of accumulated depreciation, amortization and impairment	8,482	12,063	15,991	1,545	4,245	11,878	54,204

Parent Bank

<i>(Amounts in PHP)</i>	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
Balance at January 1, 2025, net of accumulated depreciation, amortization and impairment	7,890	10,190	14,758	1,071	4,238	11,152	49,299
Additions	1,764	3,649	177	832	5,123	4,282	15,827
Disposals	(7)	(57)	-	-	-	(69)	(133)
Reclassifications (see Note 14)	(46)	516	(984)	89	(71)	-	(496)
Adjustment	-	-	-	-	-	(2)	(2)
Reversal	-	-	(1)	-	(1)	-	(2)
Foreign exchange revaluation	-	3	100	2	-	4	109
Depreciation and amortization charges for the year	-	(2,655)	(790)	(442)	-	(3,416)	(7,303)
Balance at December 31, 2025, net of accumulated depreciation, amortization and impairment	9,601	11,646	13,260	1,552	9,289	11,951	57,299
Balance at January 1, 2024, net of accumulated depreciation, amortization and impairment	7,888	7,306	14,990	993	1,929	10,772	43,878
Additions	2	5,194	477	521	2,355	4,060	12,609
Disposals	-	(13)	-	(79)	-	(277)	(369)
Reclassifications (see Note 14)	-	44	44	39	(44)	-	83
Adjustment	-	-	-	-	-	(21)	(21)
Reversal	-	-	-	-	(3)	-	(3)
Foreign exchange revaluation	-	-	18	-	-	5	23
Effect of merger	-	26	-	-	1	-	27
Depreciation and amortization charges for the year	-	(2,367)	(771)	(405)	-	(3,387)	(6,928)
Balance at December 31, 2024, net of accumulated depreciation, amortization and impairment	7,890	10,190	14,758	1,071	4,238	11,152	49,299

Under BSP rules, investments in premises, furniture, fixtures and equipment should not exceed 50.00% of a bank's net worth. As of December 31, 2025 and 2024, the BDO Unibank Group and the Parent Bank have complied with this requirement.

Certain fully depreciated premises, furniture, fixtures and equipment as of December 31, 2025 and 2024 are still being used in operations with acquisition costs amounting to P12,625 and P10,228, respectively, in the BDO Unibank Group's financial statements and P11,581 and P9,851, respectively, in the Parent Bank's financial statements.

13. LEASES

The BDO Unibank Group and the Parent Bank have leases for certain land and building. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected as a Right-of-use asset under Premises, Furniture, Fixtures and Equipment - Net (see Note 12) and Lease liabilities under Other Liabilities (see Note 21) on the statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the BDO Unibank Group and the Parent Bank to sublet the asset to another party, the right-of-use asset can only be used by the BDO Unibank Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The BDO Unibank Group and the Parent Bank are prohibited from selling or pledging the underlying leased assets as security.

For leases covering land and office spaces, the BDO Unibank Group and the Parent Bank must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the BDO Unibank Group and the Parent Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The tables below describe the nature of BDO Unibank Group and the Parent Bank's leasing activities by type of right-of-use asset.

	Number of Right-of-use Asset Leased		Range of Remaining Term		Average Remaining Lease Term	
	2025	2024	2025	2024	2025	2024
BDO Unibank Group						
Land	54	53	0 mo. – 59.0 yrs.	0 mo. – 60.0 yrs.	11.9 yrs.	12.6 yrs.
Building	1,974	1,850	0 mo. – 19.0 yrs.	0 mo. – 20.0 yrs.	6.0 yrs.	7.8 yrs.
Parent Bank						
Land	54	53	0 mo. – 59.0 yrs.	0 mo. – 60.0 yrs.	11.9 yrs.	12.6 yrs.
Building	1,438	1,381	0 mo. – 19.0 yrs.	0 mo. – 20.0 yrs.	3.8 yrs.	3.7 yrs.

13.1 Right-of-Use Assets

The carrying amounts of BDO Unibank Group and the Parent Bank's right-of-use assets as of December 31, 2025 and 2024 and the movements during the periods are shown below and in the succeeding page (see Note 12).

<i>(Amounts in PHP)</i>	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2025	665	11,213	11,878	688	10,464	11,152
Additions	17	4,637	4,654	16	4,266	4,282
Disposals	(1)	(67)	(68)	(1)	(68)	(69)
Adjustment	(1)	(15)	(16)	(1)	(1)	(2)
Foreign exchange revaluation	-	4	4	-	4	4
Depreciation and amortization	(51)	(3,628)	(3,679)	(52)	(3,364)	(3,416)
Balance at December 31, 2025	<u>629</u>	<u>12,144</u>	<u>12,773</u>	<u>650</u>	<u>11,301</u>	<u>11,951</u>

<i>(Amounts in PHP)</i>	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2024	484	10,518	11,002	508	10,264	10,772
Additions	227	4,176	4,403	227	3,833	4,060
Disposals	(3)	(38)	(41)	(3)	(274)	(277)
Reclassification	8	(8)	-	8	(8)	-
Adjustment	-	(28)	(28)	-	(21)	(21)
Foreign exchange revaluation	-	30	30	-	5	5
Depreciation and amortization	(51)	(3,437)	(3,488)	(52)	(3,335)	(3,387)
Balance at December 31, 2024	<u>665</u>	<u>11,213</u>	<u>11,878</u>	<u>688</u>	<u>10,464</u>	<u>11,152</u>

13.2 Lease Liabilities

Lease liabilities amounting to P14,943 and P14,001 as of December 31, 2025 and 2024, respectively, for the BDO Unibank Group and P14,047 and P13,215, as of December 31, 2025 and 2024, respectively, for the Parent Bank are presented under Other Liabilities in the statements of financial position (see Note 21).

The use of extension and termination options gives the BDO Unibank Group and the Parent Bank added flexibility in the event that it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the BDO Unibank Group and the Parent Bank's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost. As of December 31, 2025, the terms of the lease contracts of the BDO Unibank Group and the Parent Bank are renewable upon mutual agreement of the parties.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analyses of lease liabilities are as follows:

December 31, 2025

BDO Unibank Group

<i>(Amounts in PHP)</i>	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	5 to 10 Years	10 or More Years	Total
Lease payments	4,595	3,725	2,739	1,949	1,301	3,585	1,981	19,875
Finance charges	(1,001)	(765)	(570)	(429)	(334)	(886)	(947)	(4,932)
Net present value	<u>3,594</u>	<u>2,960</u>	<u>2,169</u>	<u>1,520</u>	<u>967</u>	<u>2,699</u>	<u>1,034</u>	<u>14,943</u>

Parent Bank

Lease payments	4,290	3,491	2,588	1,836	1,226	3,328	2,013	18,772
Finance charges	(939)	(719)	(537)	(404)	(316)	(855)	(955)	(4,725)
Net present value	<u>3,351</u>	<u>2,772</u>	<u>2,051</u>	<u>1,432</u>	<u>910</u>	<u>2,473</u>	<u>1,058</u>	<u>14,047</u>

December 31, 2024

BDO Unibank Group

Lease payments	4,387	3,566	2,858	1,981	1,156	2,527	1,755	18,230
Finance charges	(915)	(687)	(490)	(338)	(242)	(638)	(919)	(4,229)
Net present value	<u>3,472</u>	<u>2,879</u>	<u>2,368</u>	<u>1,643</u>	<u>914</u>	<u>1,889</u>	<u>836</u>	<u>14,001</u>

Parent Bank

Lease payments	4,093	3,329	2,701	1,888	1,102	2,410	1,790	17,313
Finance charges	(863)	(652)	(468)	(324)	(234)	(627)	(930)	(4,098)
Net present value	<u>3,230</u>	<u>2,677</u>	<u>2,233</u>	<u>1,564</u>	<u>868</u>	<u>1,783</u>	<u>860</u>	<u>13,215</u>

The Parent Bank subleases its leased properties. The total income earned from the subleasing activities amounted to P4, P6 and P9 in 2025, 2024 and 2023, respectively. This is presented as part of Miscellaneous - net under Other Operating Income in the statements of income (see Note 25).

The total cash outflow in respect to leases amounted to P4,738, P4,431 and P4,370 in 2025, 2024 and 2023, respectively, for the BDO Unibank Group and P4,415, P4,321 and P4,097 in 2025, 2024 and 2023, respectively, for the Parent Bank. Interest expense in relation to lease liabilities amounted to P1,100, P1,036 and P939 in 2025, 2024 and 2023, respectively, for the BDO Unibank Group and P1,034, P1,005 and P883 in 2025, 2024 and 2023, respectively, for the Parent Bank which are, presented as part of Interest expense on lease liabilities under Interest Expense account in the statements of income (see Note 24).

13.3 Lease Payments Not Recognized as Liabilities

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

The expenses relating to short-term leases and low-value assets amounted to P17 and P415 in 2025, P10 and P406 in 2024, and P14 and P387 in 2023 for the BDO Unibank Group, respectively, and P11 and P406 in 2025, P4 and P398 in 2024, and P5 and P381 in 2023 for the Parent Bank, respectively. Moreover, the expenses relating to variable lease payments amounted to P652, P426, P273 for both BDO Unibank Group and the Parent Bank in 2025, 2024 and 2023, respectively. These are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 25).

14. INVESTMENT PROPERTIES

Investment properties consist of land and buildings held for capital appreciation and for rental purposes. Rental income earned from these investment properties amounted to P576 and P60 in 2025, P427 and P156 in 2024, and P615 and P78 in 2023 for the BDO Unibank Group and the Parent Bank, respectively. These amounts are presented as part of Rental under Other Operating Income in the statements of income (see Note 25). Direct expenses related to these properties such as taxes and licenses amounted to P98 and P5 in 2025, P70 and P5 in 2024, and P80 and P3 in 2023 for the BDO Unibank Group and the Parent Bank, respectively. These expenses are presented as part of Taxes and licenses under Other Operating Expenses account in both the BDO Unibank Group and Parent Bank's statements of income (see Note 25).

The gross carrying amounts and accumulated depreciation and impairment at the beginning and end of 2025 and 2024 are shown below.

<i>(Amounts in PHP)</i>	Note	BDO Unibank Group			Parent Bank		
		Land	Buildings	Total	Land	Buildings	Total
December 31, 2025							
Cost		14,227	39,909	54,136	11,972	36,523	48,495
Accumulated depreciation		-	(9,471)	(9,471)	-	(8,366)	(8,366)
Allowance for impairment	18	(1,719)	(108)	(1,827)	(1,445)	(74)	(1,519)
Net carrying amount		<u>12,508</u>	<u>30,330</u>	<u>42,838</u>	<u>10,527</u>	<u>28,083</u>	<u>38,610</u>
December 31, 2024							
Cost		12,018	31,224	43,242	9,763	28,223	37,986
Accumulated depreciation		-	(7,919)	(7,919)	-	(7,001)	(7,001)
Allowance for impairment	18	(1,403)	(95)	(1,498)	(1,129)	(60)	(1,189)
Net carrying amount		<u>10,615</u>	<u>23,210</u>	<u>33,825</u>	<u>8,634</u>	<u>21,162</u>	<u>29,796</u>
January 1, 2024							
Cost		14,625	36,435	51,060	8,184	12,771	20,955
Accumulated depreciation		-	(6,831)	(6,831)	-	(6,052)	(6,052)
Allowance for impairment	18	(1,733)	(67)	(1,800)	(1,453)	(42)	(1,495)
Net carrying amount		<u>12,892</u>	<u>29,537</u>	<u>42,429</u>	<u>6,731</u>	<u>6,677</u>	<u>13,408</u>

A reconciliation of the carrying amounts, at the beginning and end of 2025 and 2024, of investment properties is shown below.

<i>(Amounts in PHP)</i>	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2025						
net of accumulated depreciation and impairment	10,615	23,210	33,825	8,634	21,162	29,796
Additions	4,490	4,033	8,523	4,491	3,805	8,296
Reclassification (see Notes 12 and 17.4)	(1,320)	5,774	4,454	(1,321)	5,774	4,453
Disposals	(937)	(609)	(1,546)	(937)	(582)	(1,519)
Foreign exchange revaluation	-	181	181	-	27	27
Impairment losses	(340)	(43)	(383)	(340)	(45)	(385)
Depreciation for the year	-	(2,216)	(2,216)	-	(2,058)	(2,058)
Balance at December 31, 2025						
net of accumulated depreciation and impairment	12,508	30,330	42,838	10,527	28,083	38,610
Balance at January 1, 2024						
net of accumulated depreciation and impairment	12,892	29,537	42,429	6,731	6,677	13,408
Additions	1,099	2,727	3,826	1,098	2,595	3,693
Effect of merger	-	-	-	4,188	20,255	24,443
Reclassification (see Notes 12 and 17.4)	(2,774)	(6,542)	(9,316)	(2,781)	(6,537)	(9,318)
Disposals	(839)	(548)	(1,387)	(839)	(543)	(1,382)
Foreign exchange revaluation	-	41	41	-	-	-
Impairment recoveries (losses)	237	(6)	231	237	-	237
Depreciation for the year	-	(1,999)	(1,999)	-	(1,285)	(1,285)
Balance at December 31, 2024						
net of accumulated depreciation and impairment	10,615	23,210	33,825	8,634	21,162	29,796

The fair value of investment properties as of December 31, 2025 and 2024, determined using observable recent prices of the reference properties adjusted for difference and replacement cost approach, amounted to P83,828 and P72,032, respectively, for the BDO Unibank Group and P73,171 and P59,275, respectively, for the Parent Bank. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 7.5.

The recoverable amount of impaired investment properties as of December 31, 2025 and 2024 was based on value in use computed through discounted cash flows method at an effective rate of 2.44% and 2.48% in 2025 and 2024, respectively.

BDO Unibank Group has no contractual obligations to purchase, construct or develop investment properties, or to repair, neither maintain or enhance the same nor are there any restrictions on the future use or realizability of the investment properties.

ROPA in settlement of loans through foreclosure or dacion in payment are significantly accounted for as either: investment properties, financial assets at FVOCI, other resources or non-current assets held for sale.

As of December 31, 2025 and 2024, ROPA, gross of allowance, comprise of the following:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Investment properties	19,853	14,374	19,378	14,083
Financial assets at FVOCI	567	560	567	560
Non-current assets held for sale	1,163	1,226	1,160	1,226
	21,583	16,160	21,105	15,869

15. EQUITY INVESTMENTS

Equity investments consist of the following:

<i>(Amounts in PHP)</i>	% Held	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Philippine subsidiaries					
BDO Network	85.86%*	-	-	15,371	13,909
BDOSHI	100.00%	-	-	5,684	5,684
BDO Life	97.00%	-	-	3,403	3,403
BDO Private	100.00%	-	-	2,579	2,579
BDO Capital	99.88%	-	-	1,878	1,878
Dominion Holdings	87.43%	-	-	1,878	1,878
BDOI	100.00%	-	-	11	11
Equimark	60.00%	-	-	4	4
		<u>-</u>	<u>-</u>	<u>30,808</u>	<u>29,346</u>
Foreign subsidiaries					
BDORO	100.00%	-	-	169	169
BDO Remit (Japan) Ltd.	100.00%	-	-	92	92
BDO Remit (Canada) Ltd.	100.00%	-	-	50	50
BRUSA	100.00%	-	-	26	26
		<u>-</u>	<u>-</u>	<u>337</u>	<u>337</u>
Associates					
NLEX Corporation	12.12%**	1,805	1,765	1,805	1,765
NorthPine Land, Inc.	20.00%	232	232	232	232
Taal Land, Inc.	33.33%	170	170	170	170
BDO Securities	0.68%***	-	-	35	35
		<u>2,207</u>	<u>2,167</u>	<u>2,242</u>	<u>2,202</u>
Accumulated equity in total comprehensive income:					
Balance at beginning of year		2,697	2,225	34,418	31,134
Equity in net profit (see Note 25)		1,661	1,397	10,600	9,303
Equity in other comprehensive income (loss)		(6)	(1)	1,658	(552)
Effect of merger		-	-	-	(26)
Dividends		(1,155)	(924)	(2,792)	(5,441)
Balance at end of year		<u>3,197</u>	<u>2,697</u>	<u>43,884</u>	<u>34,418</u>
Net investments in associates/subsidiaries		5,404	4,864	77,271	66,303
Allowance for impairment (see Note 18)		(153)	(153)	(153)	(153)
		<u>5,251</u>	<u>4,711</u>	<u>77,118</u>	<u>66,150</u>

* Ownership interest in 2024 is 84.92%

** Ownership interest in 2024 is 12.08%

*** Ownership interest in 2024 is 0.80%

The equity shares in other comprehensive income or loss of subsidiaries and associates consists of the following:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Accumulated actuarial losses	(6)	(1)	(392)	(246)
Remeasurement on life insurance reserves	-	-	1,478	380
Accumulated translation adjustment	-	-	8	19
Net unrealized fair value gains (losses) on FVOCI	-	-	564	(705)
Equity in other comprehensive income (losses)	<u>(6)</u>	<u>(1)</u>	<u>1,658</u>	<u>(552)</u>

BDO Unibank Group's percentage of interest held in each subsidiary and associate is the same as that of the Parent Bank in both 2025 and 2024, except for BDO Life, Dominion Holdings and BDO Securities. For BDO Life and Dominion Holdings, the interest held is at 100% and 88.54% for BDO Unibank Group, respectively (see Note 2.3) and 97.00% and 87.43%, for the Parent Bank, respectively, in 2025 and 2024. For BDO Securities, the interest held is at 99.88% for BDO Unibank Group (see Note 2.3) in both years and 0.68% and 0.80% for the Parent Bank in 2025 and 2024, respectively.

BDO Unibank Group's subsidiaries as of December 31, 2025 and 2024 are all incorporated in the Philippines, except for the following:

<u>Foreign Subsidiaries</u>	<u>Country of Incorporation</u>
BRUSA	United States of America
BDORO	United Kingdom
BDO RIH**	Netherlands
BDO Remit UK**	United Kingdom
CBN Greece S.A.**	Greece
BDO Remit (Japan) Ltd.	Japan
BDO Remit (Canada) Ltd.	Canada
BDO Remit Limited*	Hongkong
BDO Remit (Macau) Ltd.*	Macau

*Wholly-owned subsidiaries of BDOSHI

**Subsidiaries of BDO Capital

On May 30, 2012, BDORO was registered with the Registrar of Companies for England and Wales (UK) as a private limited company with registered office at the 13th Floor, One Angel Court, London, EC2R 7HJ.

BDO Remit (Canada) Ltd., a wholly-owned remittance subsidiary in Toronto, Canada operates as a remittance business and functions as a marketing office of the Parent Bank.

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

BDO Unibank Group includes two subsidiaries, BDO Network and Dominion Holdings with significant non-controlling interests:

<i>(Amounts in PHP)</i> <u>Name</u>	Proportion of Ownership Interest and Voting Rights Held by Non-controlling Interest		Profit Allocated to Non-controlling Interest		Accumulated Non- controlling Interest	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
BDO Network	14.14%	15.08%	289	176	2,702	2,370
Dominion Holdings	11.46%	11.46%	16	23	396	380

The registered office and principal place of business of BDO Network is located at ONB Center, Km. 9, Sasa, Davao City.

The registered office and principal place of business of Dominion Holdings is located at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

Dividends paid to non-controlling interests amounted to P1 and P373 in 2025 and 2024, respectively.

The summarized financial information of BDO Network and Dominion Holdings, before intragroup eliminations, follows:

<i>(Amounts in PHP)</i>	BDO Network		Dominion Holdings	
	2025	2024	2025	2024
<i>Statements of financial position:</i>				
Total current resources	21,339	8,523	3,480	3,328
Total non-current resources	127,173	115,529	-	-
Total current liabilities	114,299	94,879	23	11
Total non-current liabilities	15,101	13,458	-	-
Equity attributable to owners of the Parent Bank	16,410	13,345	3,061	2,937
Non-controlling interest	2,702	2,370	396	380
<i>Statements of comprehensive income:</i>				
Total interest income	12,171	10,279	185	263
Total other operating income	5,522	4,558	-	6
Profit attributable to owners of the Parent Bank	1,747	1,016	123	179
Profit attributable to non-controlling interest	289	176	16	23
Profit	2,036	1,192	139	202
Total comprehensive income attributable to owners of the Parent Bank	1,598	967	123	169
Total comprehensive income attributable to non-controlling interest	264	166	16	22
Total comprehensive income	1,862	1,133	139	191
<i>Statements of cash flows:</i>				
Net cash from (used in) operating activities	(2,127)	2,451	152	221
Net cash from (used in) investing activities	(2,421)	(1,410)	(25)	6,216
Net cash from (used in) financing activities	7,223	(2,668)	-	(3,244)
Net cash inflow (outflow)	2,675	(1,627)	127	3,193

The following table presents the summarized financial information of BDO Unibank Group's associates as of and for the years ended December 31, 2025, 2024 and 2023:

<i>(Amounts in PHP)</i>	NLEX Corporation (Unaudited)	Others (Unaudited)	Total
<u>December 31, 2025</u>			
Assets			
Current	6,200	2,875	9,075
Non-current	89,126	-	89,126
	<u>95,326</u>	<u>2,875</u>	<u>98,201</u>
Liabilities			
Current	9,581	83	9,664
Non-current	47,745	-	47,745
	<u>57,326</u>	<u>83</u>	<u>57,409</u>
Equity	38,000	2,792	40,792
Revenues	27,421	209	27,630
Net profit	12,349	51	12,400

<i>(Amounts in PHP)</i>	NLEX Corporation (Audited)	Others (Unaudited)	Total
<u>December 31, 2024</u>			
Assets			
Current	6,422	2,999	9,421
Non-current	<u>87,104</u>	<u>-</u>	<u>87,104</u>
	<u><u>93,526</u></u>	<u><u>2,999</u></u>	<u><u>96,525</u></u>
Liabilities			
Current	18,799	258	19,057
Non-current	<u>41,538</u>	<u>-</u>	<u>41,538</u>
	<u><u>60,337</u></u>	<u><u>258</u></u>	<u><u>60,595</u></u>
Equity	33,189	2,741	35,930
Revenues	32,756	15	32,771
Net profit (loss)	12,071	(37)	12,034
<u>December 31, 2023</u>			
Assets			
Current	6,498	3,040	9,538
Non-current	<u>80,214</u>	<u>2</u>	<u>80,216</u>
	<u><u>86,712</u></u>	<u><u>3,042</u></u>	<u><u>89,754</u></u>
Liabilities			
Current	18,307	250	18,557
Non-current	<u>40,263</u>	<u>15</u>	<u>40,278</u>
	<u><u>58,570</u></u>	<u><u>265</u></u>	<u><u>58,835</u></u>
Equity	28,142	2,777	30,919
Revenues	31,972	331	32,303
Net profit	10,013	221	10,234

The following table presents the reconciliation of equity interest to NLEX Corporation as of December 31, 2025 and 2024.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Net assets of NLEX Corporation	38,000	33,189
Proportion of interest	<u>12.12%</u>	<u>12.08%</u>
Others	<u>4,606</u>	<u>4,009</u>
	<u>87</u>	<u>155</u>
Carrying amount of investment	<u><u>4,693</u></u>	<u><u>4,164</u></u>

16. ASSETS AND LIABILITIES FOR LIFE INSURANCE CONTRACTS

The details of the investment securities and other assets for life insurance contract and other liabilities for life insurance contracts of the BDO Unibank Group are as follows:

<i>(Amounts in PHP)</i>	Notes	2025	2024
Investment securities and other assets for life insurance contracts:			
Financial assets at FVTPL	16.1	37,535	36,072
Financial assets at FVOCI	16.1	91,386	77,303
Investment securities at amortized cost - net		631	637
Loans and other receivables - net		3,196	3,630
Investment properties - net		3,998	4,208
Other resources	16.2	68	61
		<u>136,814</u>	<u>121,911</u>
Insurance contract and other liabilities for life insurance contracts:			
Insurance contract liabilities	16.2	95,129	86,170
Premium of deposit fund		4,044	3,944
Insurance payables		107	89
Other liabilities		2,315	1,268
		<u>101,595</u>	<u>91,471</u>

The details of the income attributable to insurance operations before income tax and minority interest of the BDO Unibank Group for the years ended December 31 are as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Insurance premium - net	22,709	19,610	18,121
Insurance benefits and claims - net	(17,570)	(15,025)	(13,702)
Interest income	4,885	4,499	4,080
Operating expenses	(3,207)	(3,023)	(2,708)
Other income	744	784	581
	<u>7,561</u>	<u>6,845</u>	<u>6,372</u>

16.1 Financial Assets at FVTPL and FVOCI

The details of the carrying amount of financial assets at FVTPL and FVOCI of the BDO Unibank Group for life insurance contracts are as follows:

<i>(Amounts in PHP)</i>	FVTPL		FVOCI	
	2025	2024	2025	2024
Government debt securities	5,007	4,538	79,614	64,741
Corporate debt securities	6,290	4,103	4,933	6,033
Equity securities	26,238	27,431	6,839	6,529
	<u>37,535</u>	<u>36,072</u>	<u>91,386</u>	<u>77,303</u>

As to currency, the financial assets are composed of the following:

<i>(Amounts in PHP)</i>	FVTPL		FVOCI	
	2025	2024	2025	2024
Foreign currencies	4,850	3,630	6,123	6,106
Philippine pesos	32,685	32,442	85,263	71,197
	37,535	36,072	91,386	77,303

The maturity profile of these financial assets is as follows:

<i>(Amounts in PHP)</i>	FVTPL		FVOCI	
	2025	2024	2025	2024
Within one year	26,546	357	7,451	5,910
One to five years	2,969	2,612	20,974	18,221
Beyond five years	8,020	33,103	62,961	53,172
	37,535	36,072	91,386	77,303

Effective interest rates of debt securities at FVTPL and FVOCI range from:

<i>(Amounts in PHP)</i>	2025	2024	2023
FVTPL			
Government debt securities	3.56% – 10.63%	3.56% – 10.63%	3.38% – 10.63%
Corporate debt securities	0.00% – 0.00%	0.00% – 0.00%	0.00% – 0.00%
FVOCI			
Government debt securities	2.02% – 8.13%	2.02% – 8.13%	2.02% – 8.37%
Corporate debt securities	3.45% – 8.49%	3.45% – 8.49%	3.38% – 8.49%

The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

<i>(Amounts in PHP)</i>	2025	2024
Balance at beginning of year	77,303	72,102
Additions	25,725	19,527
Maturities and disposals	(11,811)	(13,718)
Unrealized fair value gains (losses)	414	(541)
Foreign currency revaluation	(100)	125
Realized fair value losses	(145)	(192)
Balance at end of year	91,386	77,303

The reconciliation of NUGL on FVOCI reported under equity is shown below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	(2,141)	(1,403)
Changes on unrealized fair value gains (losses) during the year:		
Fair value gains (losses)	414	(541)
Expected credit losses on FVOCI securities	(6)	(5)
	<u>(1,733)</u>	<u>(1,949)</u>
Realized fair value gains on securities disposed during the year - net	<u>(145)</u>	<u>(192)</u>
Balance at end of year	<u>(1,878)</u>	<u>(2,141)</u>

The fair values of government debt, quoted equity securities and corporate debt securities have been determined directly by reference to published prices generated in an active market (see Note 7.3).

16.2 Insurance Contract Liabilities

This account consists of:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>
Legal policy reserves	89,857	80,747
Policy and contract claims payable	2,008	2,851
Policyholders' dividends	3,264	2,572
	<u>95,129</u>	<u>86,170</u>

Insurance contract liabilities may be analyzed as follows:

<i>(Amounts in PHP)</i>	<u>Insurance Contract Liabilities</u>		<u>Reinsurer Share of Liabilities</u>		<u>Net</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Aggregate reserves for:						
Ordinary life policies	58,768	50,132	-	-	58,768	50,132
VUL insurance contracts	29,851	29,706	-	-	29,851	29,706
Group life insurance policies	894	697	35	26	859	671
Accident and health policies	344	212	-	-	344	212
Policy and contract claims	2,008	2,851	30	35	1,978	2,816
Policyholders' dividends	3,264	2,572	-	-	3,264	2,572
	<u>95,129</u>	<u>86,170</u>	<u>65</u>	<u>61</u>	<u>95,064</u>	<u>86,109</u>

The movements in legal policy reserves are as follows:

<i>(Amounts in PHP)</i>	Legal Policy Reserves		Reinsurer Share of Liabilities		Net	
	2025	2024	2025	2024	2025	2024
Balance at the beginning						
of the year	80,747	71,996	26	19	80,721	71,977
Premiums received	22,887	19,778	111	87	22,776	19,691
Liability released for payments of death, maturity and surrender benefits and claims	(15,730)	(15,718)	(102)	(80)	(15,628)	(15,638)
Accretion of investment income or change in unit prices	2,712	3,869	-	-	2,712	3,869
Changes in valuation of interest rate	(1,478)	(391)	-	-	(1,478)	(391)
Change in assumptions/MfAD	620	961	-	-	620	961
Foreign exchange adjustments	99	252	-	-	99	252
Balance at end of year	<u>89,857</u>	<u>80,747</u>	<u>35</u>	<u>26</u>	<u>89,822</u>	<u>80,721</u>

Reinsurer share of liabilities is recorded as part of Other resources under Investment Securities and Other Assets for Life Insurance Contracts - Net in the BDO Unibank Group's statements of financial position.

16.2.1 Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. The liability for life insurance contracts uses the discount rate as provided by the IC with other assumptions based on best estimate with regard to significant recent experience and appropriate margins for adverse deviations from the expected experience. Assumptions are further evaluated on a continuous basis in order to ensure adequacy of valuations. Assumptions are subject to the provisions of the Code and guidelines set by the IC.

16.2.2 Liability Adequacy Test (LAT)

To test the adequacy of the statutory reserve liability, the present value of the current estimates of future cash flows is calculated without margins for adverse deviations and compared to the booked statutory reserve liability. The test for adequacy is sensitive to the following key assumptions.

- (a) *Mortality rates.* Assumptions are based on standard industry and morbidity tables, according to the type of contract written and adjusted, if appropriate, to reflect the BDO Unibank Group's own experiences. The 2017 Philippine Intercompany Mortality Table was chosen as an appropriate base table used in projecting death claims. Higher mortality and morbidity rates would lead to a larger number of claims, increasing the benefit payments and reducing profits for the shareholders.
- (b) *Discount rates.* The discount rate affects the calculated present value of the cash flows. The estimate is based on current market returns as well as expectations about future economic and financial developments. A decrease in the discount rate will increase the present value of the cash flows. The discount rate used in the LAT is 5.50% for Peso and 5.50% for Dollar in 2025, and 5.50% for Peso and 5.50% for Dollar in 2024.
- (c) *Expense assumptions.* The expense assumptions are based on the BDO Unibank Group's actual current expense experience as determined by an expense study. Future expense assumptions are projected based on the BDO Unibank Group's expense forecasts.
- (d) *Lapse and surrender rates.* The lapse and surrender rates assumed vary by product type and policy duration. These assumptions are based on the BDO Unibank Group's experience.

16.2.3 Sensitivities

The analysis below is performed to test the adequacy of the statutory reserves under possible movements in mortality and discount rates, with all other assumptions held constant.

<i>(Amounts in PHP)</i>	Change in Assumptions	2025		2024	
		Discounted Projected Cash Flows of Benefits and Expenses Less Premiums	Excess of Booked Liabilities Over Discounted Cash Flow	Discounted Projected Cash Flows of Benefits and Expenses Less Premiums	Excess of Booked Liabilities Over Discounted Cash Flow
Base assumption		86,942	2,915	78,051	2,696
Mortality	25%	88,294	1,563	78,886	1,861
	-25%	85,537	4,320	77,177	3,570
Discount rate	d+1%	77,477	12,380	70,115	10,631
	d-1%	86,899	2,958	79,957	790

Based on the table above, the booked liabilities are adequate when compared to present value of current estimates of future cash flows, under various assumptions in mortality and discount rates.

Since policy dividends are typically reduced when interest rates decline, the projected cash flows under a low discount rate assumed a reduction in policy dividends. Additionally, it should be noted that should a lower discount rate scenario happen, the increase in liabilities has an offsetting increase in assets resulting from lower market interest rates.

The method used for deriving the information above did not change from the previous period.

17. OTHER RESOURCES

The components of the other resources account are shown below.

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Foreign currency notes and coins on hand		11,595	10,301	11,594	10,300
Deferred charges	17.1	10,697	8,399	10,697	8,399
Non-current assets held for sale	17.4	7,282	10,672	7,279	10,672
Computer software - net	17.5	4,621	4,393	4,295	4,390
Goodwill	17.2	4,535	4,535	1,391	1,391
Retirement assets - net	26.2	4,174	6,676	4,458	6,123
Branch licenses	17.3	3,020	3,020	3,020	3,020
Interoffice float items - net		1,700	-	1,695	-
Prepaid documentary stamps		1,565	938	1,474	866
Deferred tax assets - net	31.1	1,107	45	897	-
Returned checks and other cash items		582	854	528	188
Customer lists - net	17.5	487	487	487	487
Real properties for development and sale		89	89	-	-
Others	17.5, 27(d)	15,091	14,701	13,774	13,158
		66,545	65,110	61,589	58,994
Allowance for impairment	18	(2,125)	(2,122)	(1,876)	(1,879)
		64,420	62,988	59,713	57,115

17.1 *Deferred Charges*

Deferred charges represent the unamortized portion of loan origination fees, including commissions and other costs directly attributable to auto loans. In addition, this account also includes origination costs related to Long-term Negotiable Certificate of Deposits (LTNCD).

17.2 *Goodwill*

Goodwill represents the excess of the Parent Bank's acquisition cost over the fair value of the net assets acquired at the acquisition date. It primarily relates to anticipated business synergies from economies of scale and scope. This is from the acquisition of BDO Card Corporation, United Overseas Bank Philippines (UOBP), American Express Bank, Ltd., GE Money Bank, Rural Bank of San Juan, Inc., BDO RIH, BDO Network and Rural Bank of Pandi, Inc., which were acquired in 2005, 2006, 2007, 2009, 2012, 2013, 2015 and 2019, respectively.

The reconciliation of the carrying amount of goodwill (net of allowance for impairment) of the BDO Unibank Group and the Parent Bank is as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Gross amount	4,535	4,535	1,391	1,391
Allowance for impairment	(1,514)	(1,514)	(1,391)	(1,391)
Carrying amount	3,021	3,021	-	-

There were no movements in the goodwill account of the Parent Bank in both 2025 and 2024, as the related goodwill balance had already been provided with full allowance.

A significant portion of goodwill of the BDO Unibank Group pertains to the goodwill recognized from the acquisition of BDO Network amounting to P2,907.

The BDO Unibank Group and the Parent Bank recognized impairment losses on certain goodwill as management does not expect the asset to generate future economic benefit. This assessment reflects that the growth of the branch business following the acquisitions was primarily attributable to the Parent Bank's own efforts and brand strength, rather than to the customer relationship or operations of the previously acquired banks. The recoverable amount was determined using value-in-use calculation based on discounted five-year cash flow projection, which exclude restructuring activities the BDO Unibank Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The calculation of value-in-use is most sensitive to the following assumptions:

- (a) *Discount rate.* The discount rates reflect current market risk assessment and are based on the weighted average cost of capital, adjusted for risks specific to the cash-generating unit. The discount rates applied to cash flow projections in 2025 and 2024 are 4.73% and 5.42%, respectively.
- (b) *Total income growth rate.* The growth rates used to extrapolate cash flow projections range from 12.71% to 15.70% in 2025 and 12.56% to 14.53% in 2024. Total income forecasts to calculate the cash flow projections are the management's best estimates after considering factors affecting growth target projection on salary loans and micro, small and medium enterprises loans offered by BDO Network.

Management assessed that no reasonably possible change in discount rates and growth rates would cause the carrying value of goodwill in 2025 and 2024 to materially exceed its recoverable amount.

The BDO Unibank Group did not recognize any impairment losses on goodwill in 2025, 2024 and 2023.

17.3 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Bank to establish certain number of branches as an incentive in acquiring The Real Bank (A Thrift Bank), Inc. and Banco De Oro Savings Bank, Inc. in addition to the current branches of the acquired banks. The Parent Bank performs annual impairment testing of branch licenses.

The recoverable amount was determined using value-in-use calculation based on discounted five-year cash flow projection.

The calculation of value-in-use is most sensitive to the following assumptions:

- (a) *Discount rate.* The discount rates reflect current market risk assessment and are based on the weighted average cost of capital, adjusted for risks specific to the cash-generating unit. The discount rates applied to cash flow projections in 2025 and 2024 are 5.24% and 6.10%, respectively.
- (b) *Compound annual growth rate.* The growth rates used to extrapolate cash flow projections are 10.50% in 2025 and 9.44% in 2024. The growth rates are based on the total assets of the Parent Bank for the last five years.

Management assessed that no reasonably possible change in discount rates and growth rates would cause the carrying value of branch licenses to exceed its recoverable amount in 2025 and 2024.

Based on the value-in-use assessment, the BDO Unibank Group and the Parent Bank did not recognize any impairment losses on branch licenses in 2025 and 2024.

17.4 Non-current Assets Held for Sale

Non-current assets held for sale consist of real and other properties acquired through repossession or foreclosure that the BDO Unibank Group and the Parent Bank intend to sell within one year from the date they were classified as held for sale. Impairment loss of P22 was recognized in 2025, while no impairment loss was recognized in 2024 and 2023 in both the BDO Unibank Group and Parent Bank's statements of income (see Note 18).

In 2024, the Parent Bank obtained full ownership of the Podium Mall, located at 12 ADB Avenue, Ortigas Center, Mandaluyong City, with a carrying amount of P6,119 and P9,437 as of December 31, 2025 and at the date of transfer, respectively, following its merger with TPCI (see Note 30.6). The mall was classified as a non-current asset held for sale, as the BSP required its disposal within six months from the merger's effectivity date. On June 26, 2025, the BSP approved the request of the Parent Bank to extend the disposal period to three years, from June 1, 2025 until May 30, 2028.

17.5 Others

Others mainly comprise security deposits, trading rights, supplies and deferred input value-added tax (VAT).

Other intangible assets with indefinite useful lives consist of branch licenses, customer lists and equity securities with Philippine Clearing House Committee and LGU Guaranty Corporation amounting to P3,020, P487 and P15, respectively, as of December 31, 2025 and 2024 in both the BDO Unibank Group and the Parent Bank's statements of financial position.

Amortization expense on computer software licenses amounted to P2,262, P2,141 and P2,917 in 2025, 2024 and 2023, respectively, for the BDO Unibank Group and P2,164, P2,055 and P2,842 in 2025, 2024 and 2023, respectively, for the Parent Bank. These are reported as Amortization of computer software under Other Operating Expenses account in the statements of income (see Note 25).

Depreciation and amortization expense on certain assets amounting to P60, P150 and P117 in 2025, 2024 and 2023, respectively, for both BDO Unibank Group and Parent Bank are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 25).

No additional impairment loss was recognized by the Parent Bank from 2023 to 2025 on the value of customer lists. The customer list was recognized as a result of the Parent Bank's acquisition of a trust business in 2014.

18. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment for the periods ended December 31, 2025 and 2024, are summarized below.

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Balance at beginning of year:					
Due from other banks	9	37	58	31	55
Financial assets at FVOCI	10.2	4	-	4	-
Investment securities at amortized cost	10.3	2,112	2,126	2,109	2,115
Loans and other receivables	11	92,091	85,811	89,414	83,370
Bank premises	12	622	619	476	476
Investment properties	14	1,498	1,800	1,189	1,495
Equity investments	15	153	153	153	153
Investment securities and other assets for life insurance contracts	16	46	47	-	-
Other resources	17	2,122	2,181	1,879	1,889
		<u>98,685</u>	<u>92,795</u>	<u>95,255</u>	<u>89,553</u>
Impairment losses (recoveries):					
Due from other banks	9	9	(21)	10	(24)
Financial assets at FVOCI	10.2	-	4	-	4
Investment securities at amortized cost	10.3	(22)	(98)	(22)	(89)
Loans and other receivables	11	14,608	14,404	13,452	13,272
Bank premises	12	2	3	-	-
Investment properties	14	383	(231)	385	(237)
Investment securities and other assets for life insurance contracts	16	(1)	(1)	-	-
Other resources	17	46	4	41	11
		<u>15,025</u>	<u>14,064</u>	<u>13,866</u>	<u>12,937</u>
Write-offs and other adjustments:					
Write-offs		(17,825)	(8,245)	(16,919)	(7,458)
Foreign currency revaluation		98	220	98	219
Adjustments		25	(105)	-	-
Reclassification		23	101	23	101
Acquired from business combination		-	-	-	4
Reversals		(2,515)	(145)	(2,515)	(101)
		<u>(20,194)</u>	<u>(8,174)</u>	<u>(19,313)</u>	<u>(7,235)</u>
Balance at end of year:					
Due from other banks	9	48	37	43	31
Financial assets at FVOCI	10.2	4	4	4	4
Investment securities at amortized cost	10.3	1,785	2,112	1,782	2,109
Loans and other receivables	11	86,905	92,091	83,955	89,414
Bank premises	12	624	622	476	476
Investment properties	14	1,827	1,498	1,519	1,189
Equity investments	15	153	153	153	153
Investment securities and other assets for life insurance contracts	16	45	46	-	-
Other resources	17	2,125	2,122	1,876	1,879
		<u>93,516</u>	<u>98,685</u>	<u>89,808</u>	<u>95,255</u>

The BDO Unibank Group and the Parent Bank recognized impairment loss (recovery) on debt securities measured at FVOCI amounting to P8 and P13, respectively, in 2025, (P25) and (P17), respectively, in 2024 and P108 and P97, respectively, in 2023. Impairment losses on debt securities measured at FVOCI are presented under items that are or will be reclassified subsequently to profit or loss in the statements of comprehensive income (see Note 10.2).

The BDO Unibank Group and the Parent Bank also recognized impairment loss (recovery) on loan commitments and other contingent accounts amounting to (P30), (P14) and P12 in 2025, 2024 and 2023, respectively, and on miscellaneous liabilities – damage suit amounting to P7 in 2023. These amounts are presented under Others in Other Liabilities in the statements of financial position (see Note 21).

Total impairment losses on certain financial assets amounted to P14,598, P14,282 and P16,313 in 2025, 2024 and 2023, respectively, in the BDO Unibank Group's statements of income and P13,440, P13,164 and P15,568 in 2025, 2024 and 2023, respectively, in the Parent Bank's statements of income.

The total impairment losses (recoveries) on non-financial assets amounted to P426, (P218) and (P44) in 2025, 2024 and 2023, respectively, for the BDO Unibank Group and P426, (P227), and (P44) in 2025, 2024 and 2023, respectively, for the Parent Bank as recognized in their respective statements of income.

19. DEPOSIT LIABILITIES

The breakdown of this account follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Demand	641,138	567,904	624,128	548,275
Savings	2,194,405	2,143,915	2,123,364	2,088,889
Time	1,354,248	1,082,208	1,321,970	1,048,888
	<u>4,189,791</u>	<u>3,794,027</u>	<u>4,069,462</u>	<u>3,686,052</u>

This account is composed of the following (by counterparties):

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Due to other banks:				
Demand	3,650	2,999	3,629	2,981
Savings	4,320	3,462	5,515	5,492
Time	3,221	2,304	2,893	1,872
	<u>11,191</u>	<u>8,765</u>	<u>12,037</u>	<u>10,345</u>
Due to customer:				
Demand	637,488	564,905	620,499	545,294
Savings	2,190,085	2,140,453	2,117,849	2,083,397
Time	1,351,027	1,079,904	1,319,077	1,047,016
	<u>4,178,600</u>	<u>3,785,262</u>	<u>4,057,425</u>	<u>3,675,707</u>
	<u>4,189,791</u>	<u>3,794,027</u>	<u>4,069,462</u>	<u>3,686,052</u>

The breakdown of deposit liabilities as to currency is as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Philippine pesos	3,687,455	3,319,599	3,573,368	3,220,812
Foreign currencies	502,336	474,428	496,094	465,240
	<u>4,189,791</u>	<u>3,794,027</u>	<u>4,069,462</u>	<u>3,686,052</u>

The maturity profile of this account is presented below.

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Less than one year	4,152,255	3,743,846	4,038,558	3,637,577
One to five years	28,646	38,431	28,268	37,944
Beyond five years	8,890	11,750	2,636	10,531
	<u>4,189,791</u>	<u>3,794,027</u>	<u>4,069,462</u>	<u>3,686,052</u>

The BDO Unibank Group and the Parent Bank's deposit liabilities are in the form of demand, savings and time deposit accounts bearing annual interest rates ranging from 0.00% to 6.30% in 2025, 0.00% to 6.38% in 2024, and 0.00% to 6.40% in 2023. Demand and savings deposits have both fixed and variable interest rates while time deposits have fixed interest rates (see Note 24).

The BDO Unibank Group's time deposit liabilities include the Parent Bank's LTNCD as of December 31, 2024 amounting to P6,500. This issuance was approved by the BSP on August 15, 2019 and was issued on September 27, 2019 with an effective interest rate of 4.0%. The net proceeds from the issuance of the LTNCD are intended to diversify the Parent Bank's maturity profile of funding source and to support its business expansion plans. The LTNCD matured on March 27, 2025.

On September 20, 2024, the BSP approved BSP Circular No. 1201, *Reduction in Reserve Requirements*, which lowered the reserve requirements of universal banks (UBs) and commercial banks (KBs) from 9.50% to 7.00%, effective reserve week starting October 25, 2024. These reserve requirements were further reduced to 5.00% on March 11, 2025 through BSP Circular No. 1211, effective reserve week starting March 28, 2025.

20. **BILLS PAYABLE**

This account is composed of the following borrowings from:

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Fixed rate bonds	20.2	171,514	119,568	171,514	119,568
Foreign banks		71,200	58,324	71,048	57,593
Senior notes	20.1	70,721	49,555	70,721	49,555
Local banks		27,139	20,743	-	292
Deposit substitutes		11,244	13,280	11,244	13,280
		<u>351,818</u>	<u>261,470</u>	<u>324,527</u>	<u>240,288</u>

The breakdown of this account as to currency follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Philippine pesos	198,653	140,019	171,514	119,568
Foreign currencies	153,165	121,451	153,013	120,720
	<u>351,818</u>	<u>261,470</u>	<u>324,527</u>	<u>240,288</u>

The maturity profile of this account is presented below.

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
One to three months	109,127	28,193	92,922	18,885
More than three months to one year	32,544	113,600	26,483	111,179
More than one to three years	175,175	113,925	170,150	104,472
More than three years	34,972	5,752	34,972	5,752
	<u>351,818</u>	<u>261,470</u>	<u>324,527</u>	<u>240,288</u>

The range of annual interest rates for interest-bearing bills payable is shown in the table below (see Note 24).

	<u>2025</u>	<u>2024</u>	<u>2023</u>
BDO Unibank Group	2.13% – 7.86%	2.13% – 7.87%	2.04% – 7.63%
Parent Bank	2.13% – 6.33%	2.13% – 6.24%	2.04% – 6.75%

The following comprise the interest expense included as part of Interest Expense on bills payable and other liabilities in the statements of income (see Note 24):

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>BDO Unibank Group</u>			
Fixed rate peso bonds	9,283	5,599	1,725
Foreign banks	2,952	3,185	2,574
Local banks	1,587	1,524	923
Senior notes	1,187	1,397	1,553
Deposit substitutes	271	946	847
Others	-	-	80
	<u>15,280</u>	<u>12,651</u>	<u>7,702</u>
<u>Parent Bank</u>			
Fixed rate peso bonds	9,283	5,599	1,725
Foreign banks	2,941	3,159	2,548
Senior notes	1,187	1,397	1,553
Deposit substitutes	271	946	847
Local banks	113	149	50
	<u>13,795</u>	<u>11,250</u>	<u>6,723</u>

20.1 Senior Notes

The Parent Bank issued US dollar denominated senior notes as follows:

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance (Amounts in PHP)	
				2025	2024
December 3, 2025	December 3, 2030	4.38%	500	29,219	-
May 16, 2022	May 16, 2029	3.71%	100	5,882	5,780
July 13, 2020	January 13, 2026	2.13%	600	35,620	34,960
February 20, 2018	February 20, 2025	4.16%	150	-	8,815
				70,721	49,555

On May 16, 2022, the Parent Bank issued its maiden blue bond amounting to US\$100 through an investment from the International Finance Corporation (IFC). The bond, with an interest rate of 3.71% and a tenor of seven years, expanded financing for projects that help prevent marine pollution and preserve clean water resources. The issuance marked a milestone for BDO Unibank Group for being the first private sector issuance for a blue bond in Southeast Asia.

The issuance of senior notes in 2020 is part of the Parent Bank's liability management initiatives to tap longer-term funding sources to support its dollar-denominated projects and refinance outstanding bonds.

On February 20, 2025, the Parent Bank redeemed its US\$150 Green Bond upon maturity.

On December 3, 2025, the Parent Bank issued US\$500 Senior Notes under the US\$5,000 Medium Term Note Programme. The Senior Notes have a tenor of five years with a coupon rate of 4.38% per annum. The net proceeds from the issuance will be used to support the Parent Bank's dollar-denominated projects and refinance the maturing Senior Notes.

20.2 Issuance of Fixed Rate Peso Bonds

On August 31, 2018, the BOD approved the establishment of a P100,000 Peso Bond Program.

On February 1, 2020, the BOD approved an increase of P300,000 to the Parent Bank's Peso Bond Program.

On December 13, 2023, the BSP issued Circular No. 1185, *Grant of Additional Single Borrower's Limit for Financing Eligible Projects and Zero Percent Reserve Requirement Rate Against Eligible Sustainable Bonds*. Reserve Requirement to be imposed for bond issuances that qualify under this category will be 1% in the first year of effectivity of Circular, and 0% in the succeeding year, effective for another 12 months. On January 5, 2026, the BSP issued Circular No. 1227, which extends the regulatory incentive period for financing eligible green or sustainable projects and activities. This extension continues the 0% reserve requirement rate for sustainable bonds issued by banks, originally granted in Circular No. 1185, for an additional two years.

On January 29, 2024, the Parent Bank issued P63,300 Peso-denominated fixed rate ASEAN Sustainability Bonds under its P365,000 bond program. The bonds carried an interest rate of 6.03% per annum and matured on July 29, 2025.

On July 24, 2024, the Parent Bank issued P55,700 of Peso-denominated fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.33% per annum and will mature on January 24, 2026.

On April 25, 2025, the BOD approved the increase in the Parent Bank's Peso Bond Program to P500,000, effectively adding P382,800 to the existing program.

On July 29, 2025, the Parent Bank issued P115,000 Peso-denominated fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 5.88% per annum and will mature on January 29, 2027.

The Parent Bank's issuances of fixed rate peso bonds as follows (amounts in billions of Philippine Pesos):

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance	
				2025	2024
July 29, 2025	January 29, 2027	5.88%	115	115.3	-
July 24, 2024	January 24, 2026	6.33%	55.7	56.2	55.9
January 29, 2024	July 29, 2025	6.03%	63.3	-	63.6
				171.5	119.5

20.3 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of liabilities arising from financing activities in 2025, 2024 and 2023, which includes both cash and non-cash changes.

BDO Unibank Group

(Amounts in PHP)

	Foreign Banks	Senior Notes	Fixed Rate Peso Bonds	Local Banks	Deposit Substitute	BSP	Others	Total
Balance as of January 1, 2025	58,324	49,555	119,568	20,743	13,280	-	-	261,470
Cash flows from financing activities								
Additional borrowings	68,508	29,322	114,121	118,687	11,830	510	-	342,978
Repayment of borrowings	(56,447)	(8,755)	(63,642)	(113,291)	(13,425)	(510)	-	(256,070)
Non-cash financing activities								
Interest amortization	(1,190)	(212)	1,467	969	(48)	-	-	986
Revaluation	2,005	811	-	31	(393)	-	-	2,454
Balance as of December 31, 2025	71,200	70,721	171,514	27,139	11,244	-	-	351,818
Balance as of January 1, 2024	51,133	47,333	52,899	23,717	14,500	-	-	189,582
Cash flows from financing activities								
Additional borrowings	101,306	-	118,085	58,048	20,660	10	-	298,109
Repayment of borrowings	(94,736)	-	(52,899)	(61,882)	(22,609)	(10)	-	(232,136)
Non-cash financing activities								
Interest amortization	144	104	1,483	878	38	-	-	2,647
Revaluation	477	2,118	-	(18)	691	-	-	3,268
Balance as of December 31, 2024	58,324	49,555	119,568	20,743	13,280	-	-	261,470
Balance as of January 1, 2023	39,243	84,355	52,696	8,890	12,679	-	1,028	198,891
Cash flows from financing activities								
Additional borrowings	83,782	-	-	49,602	49,465	20	4,745	187,614
Repayment of borrowings	(73,242)	(36,187)	-	(35,377)	(47,730)	(20)	(5,757)	(198,313)
Non-cash financing activities								
Interest amortization	1,572	(234)	203	670	74	-	(16)	2,269
Revaluation	(222)	(601)	-	(68)	12	-	-	(879)
Balance as of December 31, 2023	51,133	47,333	52,899	23,717	14,500	-	-	189,582
Parent Bank								
Balance as of January 1, 2025	57,593	49,555	119,568	292	13,280	-	-	240,288
Cash flows from financing activities								
Additional borrowings	67,368	29,322	114,121	-	11,830	10	-	222,651
Repayment of borrowings	(54,518)	(8,755)	(63,642)	(282)	(13,425)	(10)	-	(140,632)
Non-cash financing activities								
Interest amortization	(1,211)	(212)	1,467	(5)	(48)	-	-	(7)
Revaluation	1,816	811	-	(7)	(393)	-	-	2,227
Balance as of December 31, 2025	71,048	70,721	171,514	-	11,244	-	-	324,527
Balance as of January 1, 2024	50,454	47,333	52,899	2,802	14,500	-	-	167,988
Cash flows from financing activities								
Additional borrowings	99,312	-	118,085	291	20,660	10	-	238,358
Repayment of borrowings	(92,713)	-	(52,899)	(2,802)	(22,609)	(10)	-	(171,033)
Non-cash financing activities								
Interest amortization	109	104	1,483	(30)	38	-	-	1,704
Revaluation	431	2,118	-	31	691	-	-	3,271
Balance as of December 31, 2024	57,593	49,555	119,568	292	13,280	-	-	240,288
Balance as of January 1, 2023	39,142	84,355	52,696	-	12,679	-	-	188,872
Cash flows from financing activities								
Additional borrowings	81,922	-	-	2,829	49,465	10	-	134,226
Repayment of borrowings	(71,834)	(36,187)	-	-	(47,730)	(10)	-	(155,761)
Non-cash financing activities								
Interest amortization	1,539	(234)	203	33	74	-	-	1,615
Revaluation	(315)	(601)	-	(60)	12	-	-	(964)
Balance as of December 31, 2023	50,454	47,333	52,899	2,802	14,500	-	-	167,988

21. OTHER LIABILITIES

The other liabilities account consists of the following:

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Accounts payable		43,281	35,015	39,863	31,954
Manager's checks		18,652	18,729	18,584	17,986
Accrued expenses		16,475	19,418	14,844	17,854
Lease liabilities	13.2, 27(d)(i)(3)	14,943	14,001	14,047	13,215
Bills purchased – contra Outstanding acceptances payable		13,419	13,362	13,419	13,362
Derivatives with negative fair values	10.1, 27(d)(i)(4)	6,080	6,361	2,525	3,090
Withholding taxes payable		4,845	4,031	4,489	3,759
Lease deposits	34.2.1	2,412	2,269	548	519
Due to BSP and Treasurer of the Philippines		1,660	1,175	1,654	1,171
Due to principal		537	314	-	-
Capitalized interest and other charges		413	314	354	255
Deferred tax liabilities	31	-	-	-	90
Others	18, 34.1.2	13,096	13,966	12,683	13,556
		<u>144,206</u>	<u>151,687</u>	<u>131,403</u>	<u>139,543</u>

Others include margin deposits, life insurance deposits, cash letters of credit and other miscellaneous liabilities.

The liability for unredeemed reward points amounting to P3,621 and P3,486 as of December 31, 2025 and 2024, respectively, and presented under Accrued expenses, represents the fair value of points earned that are redeemable primarily for goods or services provided by third-party partners identified by the Parent Bank under its rewards program (see Note 2.16).

Interest expense on certain liabilities amounting to P46, P167 and P59 in 2025, 2024 and 2023, respectively, for the BDO Unibank Group and P45, P85 and P51 in 2025, 2024 and 2023, respectively, for the Parent Bank which are presented as part of Interest expense on bills payable and other liabilities under Interest Expense account in the statements of income (see Note 24).

Impairment losses (recoveries) recognized for off-books accounts amounted to (P30), (P14) and P12 in 2025, 2024 and 2023, respectively, while impairment losses on miscellaneous liabilities – damage suit were nil in 2025 and 2024 and P7 in 2023, for these amounts were recognized in the statements of income of both the BDO Unibank Group and the Parent Bank. The accumulated impairment losses as of December 31, 2025 and 2024 amounting to P80 and P118, respectively, for both the BDO Unibank Group and the Parent Bank are recorded as part of Others under the Other Liabilities account in the statements of financial position (see Note 18).

22. EQUITY

22.1 Capital Stock

Capital stock consists of the following:

<i>(Amounts in PHP)</i>	Number of Shares		Amount	
	2025	2024	2025	2024
Preferred shares – P10 par value				
Authorized				
Balance at beginning and end of year	1,000,000,000	1,000,000,000	10,000	10,000
Issued, fully paid and outstanding				
Balance at beginning and end of year	618,000,000	618,000,000	6,180	6,180
Common shares – P10 par value				
Authorized				
Balance at beginning and end of year	8,500,000,000	8,500,000,000	85,000	85,000
Issued, fully paid and outstanding				
Balance at beginning of year	5,326,492,045	5,268,362,374	53,265	52,684
Issued during the year	7,507,922	58,129,671	75	581
Balance at end of year	5,333,999,967	5,326,492,045	53,340	53,265
Treasury shares – at cost	-	(54,234,084)	-	(7,077)
Total Outstanding	5,333,999,967	5,272,257,961	53,340	46,188

22.1.1 Preferred Shares

The following are the features of the BDO Unibank Group and the Parent Bank's preferred shares:

- (a) Perpetual, voting, non-cumulative, convertible, non-participating, peso-denominated Series A shares;
- (b) Convertible to common shares at the option of the holder after five years from the issue date or at the option of BDO Unibank Group at any time after issue date; and,
- (c) Dividend rate is 6.50% per annum of the par value.

22.1.2 Common Shares

The Parent Bank's application for listing of its common shares was approved by the PSE on April 24, 2002. The application is for the initial listing of up to 952,708,650 common shares, with par value of P10 per share, at an offer price range of P17.80 to P23.80 per share. The proceeds from the sale of BDO Unibank's listed shares amounted to about P2,200.

On September 24, 2016, the Parent Bank's BOD authorized the Parent Bank to raise P60,000 in additional core capital through a stock rights offer. The BSP and the PSE approved the transaction on November 23, 2016 and December 14, 2016, respectively.

On January 3, 2017, the Parent Bank fixed the final terms for the stock rights offer which entitled eligible shareholders to subscribe to one common share for every 5.095 common shares held as of January 5, 2017 record date at an offer price of P83.75 per rights share. The offer period ran from January 16, 2017 to January 24, 2017.

Following the close of the offer period, the Parent Bank successfully completed its stock rights offer and 716,402,886 common shares were issued and subsequently listed on the PSE on January 31, 2017. The issuance resulted in recognition of Additional Paid-in Capital amounting to P52,662, net of related transaction costs totaling to P172. The capital supported the Parent Bank's medium-term growth objectives amid the country's favorable macroeconomic prospects and provide a comfortable buffer over higher capital requirements with the forthcoming imposition of DSIB surcharge.

The history of shares issuances from the initial public offering (IPO) and subsequently, private placements exempt from registration pursuant to Section 10.1 of the Securities Regulation Code and other issuances, is as follows:

<u>Transaction</u>	<u>Subscriber</u>	<u>Issue Date</u>	<u>Number of Shares Issued</u>
IPO	Various	May 21, 2002	908,189,550
Private placement	IFC	June 21, 2005	31,403,592
Private placement	UOBP	February 8, 2006	22,429,906
BDO-EPCIB Merger	BDO-EPCIB Merger	May 31, 2007	1,308,606,021
Private placement	IFC	August 23, 2007	31,403,592
Private placement	GE Capital International Holdings Corporation	August 20, 2009	37,735,849
Private placement	Multi Realty Development Corporation	April 23, 2010	107,320,482
Private placement	IFC	April 26, 2010	24,033,253
Private placement	IFC Capitalization (Equity) Fund, L.P.	April 26, 2010	136,315,662
Stock dividends	Various	June 8, 2012	78,218,589
Stock rights	Various	July 4, 2012	895,218,832
Private placement	Sybase Equity Investments Corporation	July 20, 2015	64,499,890
Stock options	Various employees	June 6, 2016 to December 31, 2016	4,592,430
Stock options	Various employees	January 3, 2017 to December 27, 2017	2,604,020
Stock rights	Various employees	January 31, 2017	716,402,886
Stock rights	Various employees	January 31, 2018	5,073,510
Stock options	Various employees	January 7, 2019 to December 26, 2019	7,322,270
Stock options	Various employees	January 6, 2020 to December 28, 2020	2,857,581
Stock options	Various employees	January 15, 2021 to December 15, 2021	1,291,100
Stock dividends	Various	December 29, 2022	877,337,627
Stock options	Various employees	January 17, 2022 to December 27, 2022	1,275,033
Stock options	Various employees	January 5, 2023 to December 27, 2023	4,230,699
Stock options	Various employees	February 15, 2024 to December 16, 2024	3,900,657
Treasury shares from TPCI		December 1, 2024	54,229,014
Stock options	Various employees	January 6, 2025 to December 16, 2025	7,507,922
			<u>5,333,999,967</u>

As of December 31, 2025 and 2024, there are 12,335 and 12,267 holders, respectively, of the listed shares equivalent to 100% of the Parent Bank's total outstanding shares. Such listed shares closed at P134.60 and P144.0 per share as of December 29, 2025 and December 27, 2024, respectively (the last trading day in 2025 and 2024).

22.2 BDO American Depositary Receipt Program

On April 18, 2013, the Parent Bank launched its Sponsored Level 1 American Depositary Receipt (ADR) Program by which negotiable securities representing underlying BDO common shares can be traded in the U.S. over-the-counter (OTC) market. This provides flexibility for U.S. investors to trade BDO common shares in their time zone and settle their transactions locally. It is meant to tap the pool of U.S. ADR investors, enhance visibility and global presence and diversify and broaden the Parent Bank's shareholder base. ADRs are quoted and traded in U.S. dollars, and cash dividends received on the underlying shares are paid to investors also in U.S. dollars. The ADR ratio for BDO's sponsored Level 1 ADR Program is 1:10, with each ADR representing ten underlying BDO common shares.

The sponsored Level 1 ADR Program does not necessitate the issuance of new shares as ADRs are traded on the U.S. OTC/secondary market using existing shares, in contrast to the sponsored Level II ADR or sponsored Level III ADR where shares are fully listed on a recognized U.S. exchange [e.g., New York Stock Exchange (NYSE), National Association of Securities Dealers Automated Quotations (NASDAQ)]. As such, a Level 1 ADR is not a capital raising transaction, to differentiate it from Level III ADR, which allows the issuer to raise capital through a public offering of ADRs in the U.S. The sponsored Level 1 ADR is exempt, under U.S. SEC Rule 12g3-2(b), from SEC registration, disclosure requirements and reporting obligations, including Sarbanes-Oxley and U.S. generally accepted accounting principles.

The Parent Bank appointed Deutsche Bank (DB) as the exclusive depository of ADRs for a period of five years. As depository bank, DB is responsible for the issuance and cancellation, as well as the registration of the ADRs; custody of the underlying BDO common shares and maintenance of the register of holders; the distribution of dividends; and execution of corporate actions and services to the Issuer (i.e., BDO)/Investor/Broker. In October 2018, the Parent Bank renewed the appointment of DB as the exclusive depository of ADRs for another five years. Subsequently, the Parent Bank has renewed the appointment of DB as the exclusive depository of ADRs on an annual basis.

As of December 31, 2025 and 2024, 2,339,459 and 1,665,993 ADRs valued at US\$53,807,557 and US\$42,482,822 (absolute amount), respectively, remained outstanding (computed using ADR closing price of US\$23.00/share and US\$25.50/share, respectively).

22.3 Surplus Free

The details of the Parent Bank's cash dividend distributions are as follows:

Date Declared and Approved	Common shares dividend		Record Date	Date Paid/Payable
	Per Share	Total Amount		
February 24, 2023	0.75	3,949	March 13, 2023	March 31, 2023
May 27, 2023	0.75	3,949	June 14, 2023	June 30, 2023
August 25, 2023	0.75	3,951	September 12, 2023	September 29, 2023
December 6, 2023	0.75	3,951	December 22, 2023	December 29, 2023
February 24, 2024	0.75	3,952	March 12, 2024	March 27, 2024
May 25, 2024	1.00	5,269	June 11, 2024	June 28, 2024
August 31, 2024	1.00	5,272	September 17, 2024	September 30, 2024
November 28, 2024	1.00	5,272	December 13, 2024	December 27, 2024
February 22, 2025	1.00	5,273	March 11, 2025	March 31, 2025
May 31, 2025	1.10	5,860	June 18, 2025	June 30, 2025
August 30, 2025	1.10	5,866	September 16, 2025	September 30, 2025
December 6, 2025	1.10	5,868	December 23, 2025	December 29, 2025

Date Declared and Approved	Preferred shares dividend		Date Paid/ Payable
	Per Annum	Total Amount	
January 28, 2023	6.50%	407	February 20, 2023
January 27, 2024	6.50%	407	February 19, 2024
January 31, 2025	6.50%	408	February 21, 2025

On December 7, 2024, following BSP's directive, the BOD of the Parent Bank approved the declaration of treasury shares as property dividends, which resulted from the merger of the Parent Bank and The Podium Complex, Inc. (TPCI), formerly known as SM Keppel Land, Inc. (SMKL), with the Parent Bank as the surviving entity. The treasury shares, equivalent to approximately 1.00% of the Parent Bank's current outstanding shares, and amounting to P7,076 were distributed to eligible shareholders on May 30, 2025 at an entitlement ratio of 0.0092057685 share for every one (1) BDO share held as of the record date, May 20, 2025, after obtaining the required regulatory approval from the SEC.

22.4 ESOP

For options that were exercised in 2025 and 2024, the Parent Bank issued new common shares of 7,507,922 and 3,900,657, respectively, from its authorized capital stock.

Set out below are summaries of number of options vested under the plan:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Balance at beginning of year	15,673,299	17,616,396	14,064,160	16,007,362
Vested during the year	20,971,911	11,292,558	19,891,418	10,691,390
Forfeited during the year	(72,340)	(34,042)	(47,013)	(34,042)
Expired during the year	(66,950)	(58,050)	(41,715)	(58,050)
Exercised during the year	(8,972,222)	(13,143,563)	(8,044,752)	(12,542,500)
Balance at end of year	<u>27,533,698</u>	<u>15,673,299</u>	<u>25,822,098</u>	<u>14,064,160</u>

The weighted average exercise price was P103.14 and P122.86 for the years ended December 31, 2025 and 2024, respectively.

The stock options expensed and included as part of Compensation and benefits under Other Operating Expenses and Income Attributable to Insurance Operations - Net in the BDO Unibank Group's statements of income, amounted to P1,238, P981 and P903 in 2025, 2024 and 2023, respectively, and in the Parent Bank's statements of income, amounted to P1,137, P906 and P858, respectively (see Note 26.1).

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

<i>(Amounts in PHP)</i>	2025	2024
Average option life	5 years	5 years
Average share price at grant date	161.00	128.20
Average exercise price at grant date	142.52	135.19
Average fair value of options at grant date	53.72	31.14
Average standard deviation of share price returns	32.89%	26.16%
Average dividend yield	2.96%	2.86%
Average risk-free investment rate	5.90%	6.43%

The underlying expected volatility was determined by reference to historical prices of the Parent Bank's shares over a period of one year.

22.5 Surplus Reserves

The Parent Bank appropriated its Surplus Free amounting to nil in 2025, P580 for 2024 and P23 in 2023, representing insurance fund on losses due to fire, robbery and other cash losses. BDO Network likewise appropriated its Surplus Free amounting to nil in 2025, and P4 in 2024 and 2023 for the same purpose.

The BDO Unibank Group and the Parent Bank appropriated their Surplus Free for GLLP amounting to P3,091 and P2,884 in 2025, P2,690 and P2,391 in 2024 and P2,090 and P1,986 in 2023, respectively. The accumulated appropriation to surplus reserves for GLLP as of December 31, 2025, 2024 and 2023 amounted to P23,776, P20,685 and P17,995, respectively, for the BDO Unibank Group and P22,738, P19,854 and P17,463, respectively, for the Parent Bank. This appropriation is prescribed by the BSP and is recognized as part of Surplus Reserves.

In compliance with BSP regulations, 10% of the BDO Unibank Group and the Parent Bank's profit from trust business, both amounting to P324, P284 and P262 in 2025, 2024 and 2023, respectively, is appropriated to surplus reserves (see Note 28).

As of December 31, 2025, the outstanding surplus reserve of BDO Securities amounted to P165, in compliance with the reserve fund requirement of SEC Memorandum Circular No. 16, *Adoption of the Risk Based Capital Adequacy Requirement/ Ratio for Broker Dealers*. On February 26, 2025, the BOD of BDO Capital authorized the appropriation of retained earnings amounting to P700. BDO Capital allocated P500 for its expansion programs to support its underwriting activities over the next five years, while the remaining P200 is intended to support BDO Securities' working capital requirements for 2025.

23. INTEREST INCOME

The interest income account consists of the following:

(Amounts in PHP)	Notes	BDO Unibank Group			Parent Bank		
		2025	2024	2023	2025	2024	2023
Loans and other receivables	11, 27	243,853	222,735	190,067	231,835	213,513	182,285
Trading and investment securities:							
At amortized cost	10.3	28,734	26,859	22,999	27,826	26,001	22,184
At FVOCI	10.2	15,776	15,540	10,682	15,312	15,004	10,019
At FVTPL	10.1	806	520	128	765	500	89
Due from BSP and other banks	8, 9	5,345	6,238	7,739	4,754	5,600	7,317
Others		151	147	89	135	133	83
		294,665	272,039	231,704	280,627	260,751	221,977

24. INTEREST EXPENSE

Interest expense is composed of the following:

(Amounts in PHP)	Notes	BDO Unibank Group			Parent Bank		
		2025	2024	2023	2025	2024	2023
Deposit liabilities	19, 27	75,733	72,012	50,916	73,634	69,904	48,914
Bills payable and other liabilities - net	20, 21, 26.2	14,731	12,395	7,462	13,284	10,976	6,526
Lease liabilities	13.2, 21	1,100	1,036	939	1,034	1,005	883
		91,564	85,443	59,317	87,952	81,885	56,323

25. OTHER OPERATING INCOME AND EXPENSES

Other operating income is composed of the following:

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group			Parent Bank		
		2025	2024	2023	2025	2024	2023
Service charges, fees and commissions	27	54,072	50,803	43,201	46,160	42,872	36,677
Foreign exchange gains	10.1	5,819	6,824	4,867	5,599	6,593	4,614
Trust fees	27, 28	5,707	5,113	4,698	4,533	3,943	3,539
Rental	14, 34.2.2	2,629	3,016	1,081	1,938	595	460
ROPA income	14	2,316	1,832	1,114	2,278	1,827	910
Share in net income of subsidiaries and associates	15	1,661	1,397	1,273	10,600	9,303	8,378
Trading gains (losses) - net	10.1, 10.2, 10.3	748	(127)	1,455	447	(405)	1,224
Dividends	10.1	19	77	17	17	21	14
Miscellaneous - net	13.2, 27, 30.6, 34.2.1	4,103	1,958	7,609	4,110	1,681	1,498
		<u>77,074</u>	<u>70,893</u>	<u>65,315</u>	<u>75,682</u>	<u>66,430</u>	<u>57,314</u>

Other operating expenses consist of the following:

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group			Parent Bank		
		2025	2024	2023	2025	2024	2023
Compensation and benefits	26.1	62,320	53,090	46,687	54,053	46,326	40,857
Fees and commissions	27	34,609	30,625	25,547	33,743	29,711	24,603
Taxes and licenses	14	17,570	15,968	13,179	16,088	14,412	12,060
Occupancy	12, 14, 13.3, 17.5, 27	13,269	12,298	11,908	11,665	10,402	10,602
Insurance	27	8,491	7,869	7,098	8,262	7,671	6,954
Security, clerical, messengerial and janitorial		6,259	5,244	4,791	5,624	4,575	4,423
Advertising		5,014	4,372	3,245	4,843	4,232	3,139
Information technology		3,003	2,804	2,888	2,795	2,738	2,840
Repairs and maintenance	27	2,883	2,774	2,564	2,677	2,502	2,384
Amortization of computer software	17.5	2,262	2,141	2,917	2,164	2,055	2,842
Power, light and water	27	1,828	1,898	1,456	1,665	1,339	1,294
Representation and entertainment		1,544	1,736	1,550	1,384	1,583	1,389
Traveling		1,489	1,296	1,084	972	854	705
Litigation on assets acquired		1,356	973	689	1,323	941	665
Supplies		1,132	1,074	1,157	976	935	1,022
Telecommunication		675	627	552	635	575	495
Freight		501	497	507	447	437	456
Miscellaneous	27	923	1,327	2,693	778	811	2,588
		<u>165,128</u>	<u>146,613</u>	<u>130,512</u>	<u>150,094</u>	<u>132,099</u>	<u>119,318</u>

26. COMPENSATION AND BENEFITS

26.1 Compensation and Benefits

Expenses recognized for compensation and benefits are presented below.

<i>(Amounts in PHP)</i>	Notes	BDO Unibank Group			Parent Bank		
		2025	2024	2023	2025	2024	2023
Salaries and wages	27	35,770	31,311	27,598	31,077	27,321	24,162
Bonus		13,128	10,278	9,020	11,527	9,027	7,989
Retirement – defined benefit plan	26.2	4,297	3,602	3,277	3,672	3,106	2,836
Social security costs		2,508	2,049	1,727	2,136	1,757	1,484
Employee stock option plan	22.4, 26.3	1,222	968	896	1,137	906	858
Other benefits		5,395	4,882	4,169	4,504	4,209	3,528
	25	<u>62,320</u>	<u>53,090</u>	<u>46,687</u>	<u>54,053</u>	<u>46,326</u>	<u>40,857</u>

26.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The BDO Unibank Group and the Parent Bank maintain a single, fully funded, multi-employer and tax-qualified noncontributory retirement plan, which is being administered by the Parent Bank’s Trust and Investment Group as trustee. This plan covers all regular full-time employees.

The normal retirement age under the plan is 60, subject to a minimum of five years of credited service. The plan also allows early retirement at age of 50 with at least ten years of credited service, as well as late retirement up to age 65. The normal retirement benefit is equivalent to a percentage ranging from 50% to 200% of the plan salary for every year of credited service but not less than the statutory minimum benefit required under R.A. No. 7641. In addition, the benefit includes the cash conversion of any accumulated vacation and sick leaves, if applicable.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are performed annually to update the retirement benefit cost and the required amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports prepared by an independent actuary for 2025 and 2024.

The retirement assets - net recognized under the Other Resources account (see Note 17) in the statements of financial position are determined as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Present value of the DBO	74,667	63,752	67,206	57,476
Fair value of plan assets	(79,161)	(71,015)	(71,969)	(64,144)
Surplus of plan assets	(4,494)	(7,263)	(4,763)	(6,668)
Effect of asset ceiling	320	587	305	545
Retirement assets - net	<u>(4,174)</u>	<u>(6,676)</u>	<u>(4,458)</u>	<u>(6,123)</u>

The movements in the present value of the DBO are as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Balance at beginning of year	63,752	53,328	57,476	48,406
Current service cost	4,348	3,644	3,672	3,106
Interest expense	3,884	3,684	3,501	3,344
Benefits paid by the plan	(2,848)	(3,158)	(2,636)	(2,920)
Transfer to (from) the plan	-	-	12	(104)
Remeasurements:				
Actuarial losses (gains)				
arising from changes in:				
- experience adjustments	4,496	3,196	4,125	3,063
- demographic assumptions	3,252	27	3,081	-
- financial assumptions	(2,217)	3,031	(2,025)	2,578
Business combinations	-	-	-	3
Balance at end of year	74,667	63,752	67,206	57,476

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

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Balance at beginning of year	71,015	53,968	64,144	48,406
Contributions paid into the plan	9,049	14,045	8,672	13,255
Interest income	4,515	4,111	4,090	3,704
Benefits paid by the plan	(2,848)	(3,158)	(2,636)	(2,920)
Transfer to (from) the plan	-	-	12	(104)
Remeasurement gain (loss) - return				
on plan assets (excluding				
amounts included in net				
interest)	(2,570)	2,049	(2,313)	1,801
Business combinations	-	-	-	2
Balance at end of year	79,161	71,015	71,969	64,144

The composition of the fair value of plan assets at the end of the reporting period for each category and risk characteristics are shown below.

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Debt securities:				
Government bonds	52,492	47,616	47,723	43,009
Corporate bonds	6,642	6,079	6,038	5,491
UITFs	8,280	7,812	7,528	7,056
Equity securities	10,853	8,003	9,867	7,229
Cash and cash equivalents	158	107	144	96
Other properties - net	736	1,398	669	1,263
	79,161	71,015	71,969	64,144

Actual returns on plan assets were P1,945 and P1,777 in 2025 and P6,160 and P5,505 in 2024 for the BDO Unibank Group and the Parent Bank, respectively.

Certain plan assets include BDO Unibank Group's own financial instruments [see Note 27(c)].

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

The components of amounts recognized in profit or loss and in other comprehensive income of the BDO Unibank Group and the Parent Bank in respect to the defined benefit plan are as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
<i>Recognized in profit or loss:</i>			
Current service costs	4,348	3,644	3,306
Interest income - net	<u>(595)</u>	<u>(423)</u>	<u>(299)</u>
	<u>3,753</u>	<u>3,221</u>	<u>3,007</u>
<i>Recognized in other comprehensive income, net of tax (see Note 31.1):</i>			
Actuarial losses (gains) arising from change in:			
- experience adjustments	3,372	2,397	1,559
- demographic assumptions	2,439	20	743
- financial assumptions	(1,663)	2,274	2,957
Remeasurement losses (gains) arising from:			
- return on plan assets (excluding amounts included in net interest expense)	1,927	(1,538)	236
- changes in the effect of the asset ceiling	<u>(226)</u>	<u>386</u>	<u>17</u>
	5,849	3,539	5,512
Share in actuarial losses of associates	<u>6</u>	<u>1</u>	<u>5</u>
	<u>5,855</u>	<u>3,540</u>	<u>5,517</u>
	Parent Bank		
<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
<i>Recognized in profit or loss:</i>			
Current service costs	3,672	3,106	2,836
Interest income - net	<u>(556)</u>	<u>(359)</u>	<u>(248)</u>
	<u>3,116</u>	<u>2,747</u>	<u>2,588</u>
<i>Recognized in other comprehensive income, net of tax (see Note 31.1):</i>			
Actuarial losses (gains) arising from change in:			
- experience adjustments	3,093	2,297	1,534
- demographic assumptions	2,311	-	701
- financial assumptions	(1,519)	1,934	2,614
Remeasurement losses (gains) arising from:			
- return on plan assets (excluding amounts included in net interest expense)	1,735	(1,351)	295
- changes in the effect of the asset ceiling	<u>(204)</u>	<u>409</u>	<u>-</u>
	5,416	3,289	5,144
Share in actuarial losses of subsidiaries and associates	<u>392</u>	<u>235</u>	<u>343</u>
	<u>5,808</u>	<u>3,524</u>	<u>5,487</u>

Current service costs are presented as part of Compensation and Benefits under Other Operating Expenses and Income Attributable to Insurance Operations - Net accounts (see Notes 16 and 25). In accordance with PAS 19R, *Employee Benefits*, the net interest component – which includes interest income earned on plan assets and interest expense on the defined benefit obligation – is presented on a net basis and offset against Interest Expense and Income Attributable to Insurance Operations - Net accounts (see Notes 16 and 24) in the statements of income of the BDO Unibank Group and the Parent Bank.

Amounts recognized in other comprehensive income are presented under the Items that will not be reclassified subsequently to profit or loss in the statements of comprehensive income.

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

	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Discount rates	6.17% - 6.60%	6.04% - 6.13%	6.35%	6.09%
Expected rate of salary increases	2.00% - 13.00%	1.00% -13.00%	5.00% - 10.00%	5.00% - 10.00%

Assumptions regarding future mortality experience are based on published statistics and standard mortality tables. The average remaining working lives of an individual retiring at age 60 is estimated at 22.6 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bond maturities that approximate the expected timing of the retirement benefit obligation. Other actuarial assumptions are based on current industry benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Investment and Interest Risks*

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

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

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

(i) *Sensitivity Analysis*

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit asset as of December 31, 2025 and 2024.

<i>(Amounts in PHP)</i>	BDO Unibank Group			Parent Bank		
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2025</u>						
Discount rate	+/-1%	4,751	(5,419)	+/-1%	4,023	(4,554)
Salary increase rate	+/-1%	(5,260)	4,713	+/-1%	(4,428)	3,997
<u>December 31, 2024</u>						
Discount rate	+/-1%	3,622	(4,089)	+/-1%	3,010	(3,359)
Salary increase rate	+/-1%	(3,958)	3,584	+/-1%	(3,258)	2,982

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

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

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, BDO Unibank Group through its Compensation Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds or UITFs) with maturities that match the benefit payments as they fall due and in the appropriate currency. BDO Unibank Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2025 and 2024 consists of debt instruments and equity instruments, although the BDO Unibank Group and the Parent Bank also invest in cash and cash equivalents, UITFs and properties. The debt instruments include government bonds and corporate bonds.

There has been no change in the BDO Unibank Group and the Parent Bank's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

As of December 31, 2025, the plan of the BDO Unibank Group and the Parent Bank is overfunded by P4,174 and P4,458, respectively, based on the latest actuarial valuation report.

The BDO Unibank Group and the Parent Bank expect to pay P11,501 and P10,514, respectively, as contributions to retirement benefit plans in 2026.

The expected maturity of undiscounted expected benefits payments of BDO Unibank Group and the Parent Bank from the plan for the next ten years is presented as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group	Parent Bank
Between one to five years	56,233	51,962
Between six to ten years	52,721	47,329
	108,954	99,291

The weighted average duration of the defined benefit obligation at the end of the reporting period is 3.9 to 14.3 years for the BDO Unibank Group and 9 years for the Parent Bank.

26.3 ESOP

BDO Unibank Group's ESOP expense includes the amounts recognized by the Parent Bank and its subsidiaries over the vesting period. In 2025 and 2024, vested shares totalled 20,971,911 shares and 11,292,558 shares, respectively, for the BDO Unibank Group, and 19,891,418 shares and 10,691,390 shares, respectively, for the Parent Bank.

The ESOP expense, included as part of Compensation and benefits under Other Operating Expenses and Income Attributable to Insurance Operations - Net in the BDO Unibank Group's statements of income, amounted to P1,238, P981 and P903 in 2025, 2024 and 2023, respectively. In the Parent Bank's statements of income, ESOP expense amounted to P1,137, P906 and P858 for the same years (see Note 26.1).

27. RELATED PARTY TRANSACTIONS

The Parent Bank created a Related Party Transactions Committee composed of two independent directors and a non-executive director as of December 31, 2025. The said committee exercises oversight role to ensure bank compliance with BSP and SEC regulations on related party transactions.

The summary of BDO Unibank Group's significant transactions with its related parties as of December 31, 2025 and 2024 and for each of the three years ended are as follows:

<i>(Amounts in PHP)</i>	Note	Amounts of Transaction			Outstanding Balance	
		2025	2024	2023	2025	2024
Related Party Category						
DOSRI Loans	27(a)					
Stockholders		11,988	18,992	15,684	14,344	16,216
Related Parties under Common Ownership		5	-	-	5	-
Directors		289	-	-	279	-
Officers and Employees		3,035	2,891	2,398	2,920	2,749
Deposit Liabilities	27(b)					
Stockholders		604,273	671,393	537,059	2,644	1,653
Related Parties under Common Ownership		611	623	1,768	32	52
Directors		1,163	371	1,096	4	16
Other Transactions with Associates	27(d)(ii)					
Interest Income		-	-	559	-	-
Related Parties Under Common Ownership	27(d)(iii)					
Security Deposit		35	35	32	662	609
Right-of-use Assets		871	1,395	993	5,511	5,207
Lease Liabilities		98	144	104	2,910	3,109
Interest Expense		235	243	203	-	-
Depreciation Expense		1,094	1,061	1,018	-	-

<i>(Amounts in PHP)</i>		Amounts of Transaction			Outstanding Balance	
Related Party Category	Note	2025	2024	2023	2025	2024
Key Management Personnel Compensation	27(d)(iv)	1,970	1,842	1,703	-	-
Retirement Plan	27(c)	4,388	2,979	(194)	13,071	13,235

The summary of the Parent Bank's significant transactions with its related parties as of December 31, 2025 and 2024 and for each of the three years ended are as follows:

<i>(Amounts in PHP)</i>		Amounts of Transaction			Outstanding Balance	
Related Party Category	Note	2025	2024	2023	2025	2024
DOSRI Loans	27(a)					
Stockholders		11,988	18,992	15,684	14,344	16,216
Related Parties under Common Ownership		5	-	-	5	-
Directors		289	-	-	279	-
Officers and Employees		3,031	2,889	2,398	2,914	2,746
Deposit Liabilities	27(b)					
Stockholders		604,273	671,393	537,059	2,644	1,653
Related Parties under Common Ownership		611	623	1,149	32	52
Directors		1,163	371	1,096	4	16
Other Transactions with Subsidiaries	27(d)(i)					
Loans and Advances		34,279	30,714	50,421	15,030	11,006
Derivative Assets		2,561	3,205	1,425	51	27
Derivative Liabilities		1,059	2,225	8,249	12	28
Deposit Liabilities		(1,727)	(226)	(5,485)	3,930	5,657
Miscellaneous Assets		330	15	126	530	200
Interest Income		833	1,446	1,055	94	23
Rent Income		134	132	134	-	-
Service Fees		1,587	1,422	1,244	-	-
Interest Expense		67	107	135	4	9
Right-of-use Assets		55	(237)	370	108	71
Lease Liabilities		33	(461)	396	123	85
Depreciation/Amortization		17	149	14	-	-
Interest Expense – Finance Lease Payment Payable		6	29	3	-	-
Trust Fees		221	202	176	-	-
Miscellaneous Expense		3	14	42	-	-
Insurance Expense		65	57	50	-	-
Trading Gain/Loss		54	(23)	(57)	-	-
Miscellaneous Income		164	145	110	-	-
Repairs and Maintenance		1	33	1	-	-
Fees and Commission		514	441	216	-	-
Management and Other Professional Fees		-	-	1	-	-
Power and Light		-	4	-	-	-
Rent Expense		-	1	-	-	-
Other Transactions with Associates	27(d)(ii)					
Interest Income		-	-	559	-	-
Related Parties under Common Ownership	27(d)(iii)					
Security Deposit		35	35	32	662	609
Right-of-use Asset		871	1,395	993	5,511	5,207
Lease Liabilities		98	144	104	2,910	3,109
Interest Expense		235	243	203	-	-
Depreciation Expense		1,094	1,061	1,018	-	-
Key Management Personnel Compensation	27(d)(iv)	1,091	1,051	1,006	-	-
Retirement Plan	27(c)	4,388	2,979	(194)	13,070	13,234

In the ordinary course of business, the BDO Unibank Group and the Parent Bank have loans, deposits and other transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI) as described in the succeeding pages.

(a) *Loans to Related Parties*

Under existing policies of the BDO Unibank Group and the Parent Bank, loans to related parties bear annual interest rates ranging from 0.00% to 22.86% in 2025, 0.00% to 17.28% in 2024, and 0.00% to 13.50% in 2023. These rates and terms are substantially the same as those extended to other individuals and businesses of comparable risk profiles. For loans granted to DOSRI, at least 70% of the loan, other credit accommodations and guarantees must be secured. Furthermore, the total amount of such loans must not exceed the combined value of the DOSRI's unencumbered deposits and the book value of their paid-in capital contribution in the Parent Bank. Total outstanding loans, other credit accommodations, and guarantees to DOSRIs must not exceed 15% of the total loan portfolio of the Parent Bank or 100% of its net worth, whichever is lower. The unsecured portion must not exceed 30% of the applicable ceiling or the outstanding amount, whichever is lower.

The total loans, credit accommodations and guarantees granted to each subsidiary or affiliate must not exceed 10% of the Parent Bank's net worth, with the unsecured portion limited to 5% of net worth. Additionally, all loans, credit accommodations and guarantees to subsidiaries and affiliates must not exceed 20% of the Parent Bank's net worth.

Secured loans to related parties are collateralized by publicly-listed shares, hold-out on deposits, chattels and real estate mortgages, and are generally payable within 20 years.

Total loan releases and collections in 2025 amounted to P15,317 and P16,734 for the BDO Unibank Group, and P15,313 and P16,733 for the Parent Bank, respectively. In 2024, total loan releases and collections amounted to P21,883 and P30,673 for the BDO Unibank Group, and P21,881 and P30,672 for the Parent Bank, respectively. The total loan releases and collections in 2023 amounted to P18,082 and P13,703 for the BDO Unibank Group and P18,082 and P13,701 for the Parent Bank, respectively.

(b) *Deposits from Related Parties*

Total deposits from related parties amounted to P606,047, P672,387 and P539,923 for the BDO Unibank Group in 2025, 2024 and 2023, respectively. For the Parent Bank, related party deposits totaled P606,047, P672,387 and P539,304 in 2025, 2024 and 2023, respectively. These deposits carried interest rates ranging from 0.00% to 5.31% in 2025, 0.00% to 6.13% in 2024, and 0.00% to 6.38% in 2023. Corresponding interest expense on these deposits amounted to P17, P491 and P1,035 in 2025, 2024 and 2023, respectively (see Note 24).

(c) *Transactions with Retirement Plan*

BDO Unibank Group's retirement fund has transactions directly and indirectly with the BDO Unibank Group and the Parent Bank as of December 31, 2025 and 2024 and for each of the three years ended are as follows:

<i>(Amounts in PHP)</i> Related Party Category	Amounts of Transaction			Outstanding Balance	
	2025	2024	2023	2025	2024
Loans to employees					
BDO Unibank	-	-	-	1	3
Investment in shares of					
BDO Unibank	-	-	-	4,732	3,158
Dominion Holdings	-	-	-	1	1
Deposit liabilities (including LTNCDs)					
BDO Unibank	-	-	-	8,337	10,073
Trading gain (loss)					
BDO Unibank	4,381	2,967	(205)	-	-
Interest expense					
BDO Unibank	5	10	9	-	-
Rental income					
BDO Unibank	2	2	2	-	-

Details of the contributions of the BDO Unibank Group and the Parent Bank, and benefits paid out by the plan to the employees are presented in Note 26.2.

(d) *Other Transactions with Related Parties*

A summary of other transactions of the Parent Bank with subsidiaries, associates and other related parties is presented below and on the succeeding pages. These transactions are generally unsecured and payable in cash, unless otherwise stated.

(i) Transactions with and between subsidiaries are eliminated in the BDO Unibank Group's consolidated financial statements. Significant transactions with subsidiaries are summarized as follows:

(1) *Loans and Advances to Subsidiaries*

The Parent Bank provides noninterest-bearing advances to subsidiaries to support their working capital requirements. These advances are unsecured, payable in cash, and do not have fixed repayment terms. Total advances granted and collected amounted to P159 and P132, P132 and P120, and P120 and P259, in 2025, 2024 and 2023, respectively. Outstanding advances to subsidiaries, recognized as part of Accounts receivable under Loans and Other Receivables in the Parent Bank's statements of financial position, amounted to P159 and P132 as of December 31, 2025 and 2024, respectively (see Note 11).

The Parent Bank also grants both secured and unsecured interest-bearing loans to subsidiaries. Outstanding balance amounted to P14,871 and P10,874 as of December 31, 2025 and 2024, respectively, and are presented as part of Loans and discounts under Loans and Other Receivables account in the Parent Bank's statements of financial position (see Note 11). Total loans granted amounted to P34,120, P30,582 and P50,301 while total loans collections amounted to P30,123, P43,872 and P35,217 for the same years. These loans are payable in cash with a term between seven days to five years. Interest income recognized from these loans is presented as part of Interest Income in the Parent Bank's statements of income (see Note 23). Interest rate on these loans ranged from 4.75% to 7.25%, 4.84% to 7.86% and 5.86% to 7.85% per annum in 2025, 2024 and 2023, respectively.

(2) *Income to the Parent Bank*

BDO subsidiaries engage the Parent Bank, under service agreements, to provide various support services. These include maintenance; administration of properties and assets management; supplies procurement; facilities management; accounting services; loan documentation; safekeeping and custodianship of securities and collateral documents; credit card services; human resources management; information technology support; internal audit; corporate secretarial services; remittance transactions assistance; legal support for all loan and/or property/asset-related litigation; credit investigation; security and investigation service requirements, ATM-related services, and assistance on all tax-related matters. The service agreement shall continue to be in force unless terminated by either party through written notice at least 30 calendar days prior to the intended termination date. Services fees are payable monthly in cash and exclude actual costs and expenditures incurred by the Parent Bank in rendering the services. Such actual costs are reimbursable by the subsidiaries.

Total service fees are presented as part of Service charges, fees and commissions under Other Operating Income account in the Parent Bank's statements of income (see Note 25). Outstanding balances arising from these transactions, included under Others within Other Resources (see Note 17), amounted to P529 and P196 as of December 31, 2025 and 2024, respectively. Total service fees amounted to P1,587, P1,422 and P1,244 in 2025, 2024 and 2023, respectively.

BDO Life, BDOSHI, BDO Capital and Dominion Holdings have an existing Investment Management Agreement with the Parent Bank for trust services rendered. Total trust fees are presented as part of Trust fees under Other Operating Income account in the Parent Bank's statements of income (see Note 25). Outstanding balances arising from these transactions as of December 31, 2025 and 2024 are included as part of Accounts receivable under Loans and Other Receivables (see Note 11). Total trust fees amounted to P221 for 2025, P202 for 2024, and P176 for 2023.

Certain subsidiaries lease office space and equipment from the Parent Bank. Total rental collections are included as part of Miscellaneous under Other Operating Income in the Parent Bank's statements of income (see Note 25). Lease terms for office space range from one to ten years and are payable in cash. There were no outstanding receivables from subsidiaries as of December 31, 2025 and 2024. Total rental income amounted to P134, P132 and P134 in 2025, 2024 and 2023, respectively.

(3) Expenses of the Parent Bank

As a lessee, the Parent Bank recognized right-of-use assets related to lease of space for its branch operations amounting to P108 and P71 as of December 31, 2025 and 2024, respectively. These are presented as part of Premises, Furniture, Fixtures and Equipment (see Note 12). Depreciation and amortization of the right-of-use assets amounted to P17, P149 and P14 in 2025, 2024 and 2023, respectively, and presented as part of Occupancy under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). Interest expense on lease liabilities is included as part of Interest expense on finance lease liabilities under the Interest Expense account in the Parent Bank's statements on income amounted to P6 for 2025, P29 for 2024 and P3 for 2023. The outstanding balance of lease liabilities arising from these transactions amounted to P123 and P85 as of December 31, 2025, and 2024, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

Total amounts paid for utilities and maintenance of leased properties are presented under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). Repairs and maintenance expense amounted to P1 in 2025, P33 in 2024 and P1 for 2023. Power, light and water expense amounted to P4 in 2024 (nil for 2025 and 2023).

The Parent Bank likewise pays group life insurance for its employees, life insurance for qualified depositors, and life and accident insurance for qualified Kabayan remitters enrolled with BDO Life. These amounts are recorded as Insurance expenses under Other Operating Expenses (see Note 25). Total insurance expense amounted to P65, P57 and P50 in 2025, 2024 and 2023, respectively.

In 2020, the Parent Bank purchased receivables from Dominion Holdings. This resulted in a loss amounting to P290 which was initially booked under Miscellaneous Asset and is being amortized over the term of the receivables. The amortized loss, recognized as part of Miscellaneous expense account under Other Operating Expenses, amounted to P3, P14 and P42 in 2025, 2024 and 2023, respectively (see Note 25). The outstanding balance of the Miscellaneous Asset, presented as part of Others under Other Resources in the Parent Bank's statements of financial position (see Note 17), amounted to P1 and P4 as of December 31, 2025 and 2024, respectively. No similar transactions occurred in 2025 and 2024.

The Parent Bank pays commissions to BDO Network and BDO Private for referred trust services, and also pays for various services rendered by its foreign subsidiaries, BDO Private, and ATM-related services by BDO Network. These payments are presented as part of Fees and commissions account under Other Operating Expense in the Parent Bank's statements of income. Total expenses amounted to P514, P441 and P216 in 2025, 2024 and 2023, respectively (see Note 25).

(4) Derivatives

In 2025 and 2024, the Parent Bank entered into derivative transactions with certain subsidiaries in the form of currency forwards. As of December 31, 2025 and 2024, the outstanding balances of derivatives assets and liabilities are presented as part of Financial assets at FVTPL under Trading and Investment Securities account (see Note 10.1) and Derivatives with negative fair values under Other Liabilities account in the statements of financial position (see Note 21).

(5) Deposit Liabilities

The total deposits made by the subsidiaries to the Parent Bank during 2025, 2024 and 2023 amounted to P1,311,759, P1,008,858 and P883,985, respectively. Corresponding annual withdrawals amounted to P1,313,486 for 2025, P1,009,084 for 2024 and P889,470 for 2023. These deposits bear interest rates ranging from 0.00% to 6.20% in 2025, 0.00% to 6.38% in 2024 and 0.00% to 6.00% in 2023. Related interest expense is included as part of Interest expense on deposit liabilities under Interest Expense account in the statements of income (see Note 24).

As of December 31, 2025 and 2024, the total assigned government securities amounted to P4,300 for BDO Private and P2,000 for BDO Network in both years.

(6) Real Estate Joint Venture

On October 23, 2021 and November 11, 2021, the respective BOD of BDO Unibank and BDOSHI approved a Real Estate Joint Venture Agreement between the two companies. Under the agreement, BDOSHI will contribute its 3,695 square meters vacant lots and air rights located in Valero St., Makati City. BDO Unibank will construct Annex A Building on the contributed property as part of the BDO Makati Campus Project and will shoulder the estimated construction cost, subject to adjustment based on the final computations agreed upon by the parties. As of December 31, 2025, the vacant lots are used as staging area and temporary facilities for construction of the BDO Makati Campus Project.

(ii) Other transactions with associates are shown below.

As of December 31, 2025 and 2024, there were no outstanding secured and unsecured interest-bearing loans and advances to associates for both BDO Unibank Group and the Parent Bank.

Total collections on loans and advances amounted to P7,895 for both the BDO Unibank Group and the Parent Bank in 2023.

Annual interest rates on these loans were 4.95% in 2023. Related interest income is presented as part of Interest Income on loans and other receivables in the BDO Unibank Group's statements of income (see Note 23).

(iii) Transaction of the Parent Bank with related parties under common ownership is shown below.

As a lessee, the Parent Bank recognized right-of-use assets arising from the lease of space from related parties for branch operations, amounting to P5,511 and P5,207 as of December 31, 2025 and 2024, respectively. These are presented as part of Premises, Furniture, Fixtures and Equipment (see Note 12). Amortization expense on right-of-use assets amounted to P1,094, P1,061 and P1,018 in 2025, 2024 and 2023, respectively, and is presented as part of Occupancy under Other Operating Expenses account in the Parent Bank's statements of income (see Note 25). In addition, the Parent Bank recognized security deposit amounting to P662 and P609 as of December 31, 2025 and 2024, respectively, presented as part of Other Resources (see Note 17).

The total interest expense on lease liabilities from related parties, presented as part of Interest expense on finance lease liabilities under Interest Expense, amounted to P235, P243 and P203 in 2025, 2024 and 2023, respectively, in the Parent Bank's statements of income (see Note 24). The outstanding balances arising from these transactions amounted to P2,910 and P3,109 as of December 31, 2025 and 2024, respectively, and are presented as part of Lease liabilities under Other Liabilities (see Note 21).

The terms of the leases are from one to ten years and are payable in cash.

(iv) Key Management Personnel Compensation

The compensation and benefits given to BDO Unibank Group and the Parent Bank's key management are as follows (see Note 26.1):

<i>(Amounts in PHP)</i>	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
Salaries and other benefits	1,784	1,668	1,542	983	942	896
Retirement expense	186	174	161	108	109	110
	<u>1,970</u>	<u>1,842</u>	<u>1,703</u>	<u>1,091</u>	<u>1,051</u>	<u>1,006</u>

28. TRUST OPERATIONS

The following securities and other properties held by the BDO Unibank Group in a fiduciary or agency capacity (for a fee) on behalf of its customers are not reflected in the statements of financial position of the BDO Unibank Group and the Parent Bank, as these assets do not belong nor represent resources of the BDO Unibank Group [see Note 35(h)]:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Investments	2,564,341	2,287,710	1,862,478	1,654,471
Others	23,473	17,761	20,814	13,775
	<u>2,587,814</u>	<u>2,305,471</u>	<u>1,883,292</u>	<u>1,668,246</u>

In compliance with the requirements of the General Banking Act governing the BDO Unibank Group's trust operations:

- (a) Certain investment in government securities presented as part of Investment securities at amortized cost with total face value of P26,783 and P23,660 as of December 31, 2025 and 2024, respectively, for the BDO Unibank Group (see Note 10.3), and P19,790 and P17,010, respectively, for the Parent Bank, have been deposited with the BSP. These deposits serve as security for the BDO Unibank Group's faithful performance of its fiduciary obligations; and,
- (b) A certain percentage of the trust income is transferred annually to Surplus reserves. This transfer is required until the surplus reserve for trust function reaches 20% of the BDO Unibank Group's authorized capital stock. As of December 31, 2025 and 2024, the additional reserve for trust functions amounted to P324 and P284, respectively, for both the BDO Unibank Group and the Parent Bank, and is presented as part of Surplus Reserves in the statements of changes in equity (see Note 22.5).

Income from trust operations, recognized as Trust fees under the Other Operating Income account, amounted to P5,707, P5,113 and P4,698 in 2025, 2024 and 2023, respectively, in the BDO Unibank Group's statements of income; and P4,533, P3,943 and P3,539 in 2025, 2024 and 2023, respectively, in the Parent Bank's statements of income (see Note 25).

29. UNIT-LINKED FUNDS

VUL insurance contracts of BDO Life are life insurance policies wherein a portion of the premiums received are invested in VUL funds, which are composed mainly of investments in equity and debt securities. The withdrawal or surrender amount of a VUL policy can be computed by multiplying the total units held by the policyholder by the fund's Net Asset Value per unit, which changes daily depending on the fund's performance.

In 2013, BDO Life obtained the approval from IC to issue VUL products, where payments to policyholders are linked to internal investment funds set up by BDO Life. The VUL funds are managed by the Trust and Investment Group of the Parent Bank.

BDO life has 13 VUL funds and 11 VUL funds as of December 31, 2025 and 2024, respectively. The details of the investment funds, which comprise the assets backing the unit-linked liabilities, are presented in the table below. The assets and liabilities of these investment funds have been consolidated to the appropriate accounts in the BDO Unibank Group's financial statements.

<i>(Amounts in PHP)</i>	2025	2024
Assets:		
Cash and cash equivalents	76	76
Financial assets at FVTPL	29,785	29,442
Other receivables	73	214
	29,934	29,732
Liabilities and Equity:		
Other liabilities	200	175
Net assets attributable to unitholders	29,734	29,557
	29,934	29,732

30. BUSINESS COMBINATIONS, DISPOSALS AND DISSOLUTIONS

30.1 Subscription of Additional Shares in BDO Securities

On September 25, 2023, the BOD of BDO Capital approved and authorized BDO Capital to subscribe up to P250 common shares of BDO Securities to be issued in one or more tranches. The first tranche of P150 was made on October 23, 2023 while the second tranche of P100 was made on March 22, 2024.

On April 16, 2024, the BOD of BDO Securities approved the increase of its authorized capital stock from P1,000 divided into 10,000,000 common shares with par value of P100 per share to P1,800 divided into 18,000,000 common share with a par value of P100 per share. On October 4, 2024, SEC approved the increase in authorized capital stock.

On April 22, 2024, the BOD of BDO Capital approved and authorized BDO Capital to subscribe to common shares of BDO Securities amounting to P200. This was done on July 2, 2024.

Then on April 28, 2025, the BOD of BDO Capital approved and authorized BDO Capital to subscribe to common shares of BDO Securities amounting to P200. This was completed on July 1, 2025.

30.2 Closure of BDO Remit UK

On May 28, 2024, the BOD of BDO Capital approved the cessation of business operations of BDO Remit UK either through the sale or transfer of BDO Remit UK's business and remittance licenses to potential buyer/s or dissolution and liquidation of BDO Remit UK subject to securing and/or compliance with applicable laws and regulations.

On November 6, 2024, the BOD of BDO Remit UK approved the dissolution and appointment of the liquidators. BDO Remit UK has ceased its operations on January 31, 2025.

30.3 Subscription to the Increase in Authorized Capital Stock of BDO Network

The BOD and shareholders of BDO Network approved on June 28, 2024 and August 30, 2024, respectively, the increase in its authorized capital stock from P5,800 divided into 55,000,000 common shares with par value of P100 per share and 30,000,000 various preferred shares with par value of P10 per share to P7,800 divided into 75,000,000 common shares with par value of P100 per share and 30,000,000 various preferred shares with par value of P10 per share.

On August 31, 2024, the BOD of the Parent Bank approved the capital subscription of up to 50,000,000 common shares or approximately P1,920 in BDO Network's increase in authorized capital stock. This was approved by the BSP on January 17, 2025.

On December 27, 2024, the SEC approved the amendment of the Articles of Incorporation (AOI) and By-laws (BL) of BDO Network, which includes among others the increase in par value of common shares from P10 to P100 per share.

On February 4, 2025, the Parent Bank subscribed to 4,812,500 of BDO Network's common shares at the total subscription price of P1,847, of which, 25% or P462 has been paid. On the same day, non-controlling interests subscribed to 187,500 of BDO Network common shares amounting to P72, increasing the Parent Bank's ownership from 84.92% to 85.86%. The Parent Bank's balance of P1,000 was paid on December 10, 2025, while the remaining P385 will be paid upon call by the BDO Network board. BDO Network's application for the increase in authorized capital stock was approved by the BSP and SEC on May 30, 2025 and October 13, 2025, respectively.

30.4 BDO Network Bank License Upgrade to Thrift Bank

On June 30, 2021 and August 13, 2021, the BOD and shareholders of BDO Network, respectively, approved the conversion of its banking license from a rural bank to a savings bank. This was approved by the BSP on January 27, 2022 with a condition prior to the commencement of its operation as a thrift bank, among others, to secure SEC approval of its amended AOI and BL. The SEC issued the Certificate of Filing of Amended AOI on December 27, 2024 while the BSP issued the Certificate of Authority to operate as a thrift bank on February 5, 2025. BDO Network commenced its operations as a thrift bank on May 5, 2025.

30.5 Exercise of Rights in NLEX Corporation

On January 22, 2024, the BOD approved the exercise of its right of first refusal to acquire additional common shares in NLEX Corporation increasing its shareholdings from 11.70% to up to 12.20%. The BSP and the Privatization Council approved the transaction on February 1, 2024 and April 25, 2024, respectively. The transaction was completed on August 9, 2024 and March 18, 2025, increasing BDO's shareholdings to 12.12% (see Note 15).

30.6 Acquisition of Additional Shares and Subsequent Merger of TPCI, formerly SMKL, with BDO

On March 25, 2023, BDO and Keppel Group (Keppel Philippines Properties, Inc. and Opon-KE Properties, Inc.) entered into a Share Purchase Agreement wherein Keppel Group agreed to sell and BDO agreed to purchase Keppel Group's 50% stake in TPCI (formerly SMKL).

The acquisition was approved and authorized by the Philippine Competition Commission and BSP on August 15, 2023 and December 14, 2023, respectively. On December 22, 2023, BDO acquired the additional 50% of the issued and outstanding capital stock of TPCI for a cash consideration amounting to P8,161, making the latter a wholly-owned subsidiary of the former. The transaction resulted in a recognition of an unrealized gain on fair valuation of previously-held interest amounting to P6,107 and an unrealized gain on bargain purchase amounting to P169 which are part of Miscellaneous - net under Other Operating Income account in the 2023 BDO Unibank Group's statement of income (see Note 25).

The remeasurement of the previously-held interest at fair value on the date of acquisition is as follows:

Fair value	P	8,271
Book value		<u>2,164</u>
Unrealized gain on fair valuation of previously-held interest	P	<u>6,107</u>

The breakdown of the acquisition-date fair value of the assets and liabilities, including the cost of investments are as follows:

Due from other banks	P	713
Loans and other receivables*		176
Premises, furniture, fixtures and equipment		29
Investment properties		25,000
Other resources		<u>955</u>
Total resources		<u>26,873</u>
Bills payable		7,580
Other liabilities		<u>2,750</u>
Total liabilities		<u>10,330</u>
Net assets acquired		<u>16,543</u>
Fair value of the investment for the previously-held interest in TPCI		8,271
Consideration transferred for the additional interest in TPCI		<u>8,161</u>
Total consideration		<u>16,432</u>
Elimination of leases intercompany accounts		<u>58</u>
Unrealized gain on bargain purchase	P	<u>169</u>

* The gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected at acquisition date amounted to P181 and P5, respectively.

As a result of the acquisition, BDO Unibank Group obtained full ownership of the Podium Complex located at 12 ADB Avenue, Ortigas Center, Mandaluyong City which TPCI develops and operates.

Pre-acquisition income arising from the step-up acquisition amounted to P301. There were no additional income or expense related to TPCI recognized in BDO Unibank Group's 2023 statement of comprehensive income after the acquisition date on December 22, 2023.

On January 27, 2024 and January 19, 2024, the BOD of BDO and TPCI (formerly SMKL), respectively approved the merger of BDO and TPCI, a wholly-owned subsidiary, with BDO as the surviving entity (the Merger). The Merger was likewise approved by the shareholders of BDO and TPCI on April 19, 2024 and January 19, 2024, respectively. The Merger and the plan and articles of merger, dated March 22, 2024, and April 25, 2024 were also approved by the BSP and the SEC on October 16, 2024, and November 18, 2024, respectively, effective December 1, 2024. As consideration for the merger, the Parent Bank issued 54,229,014 common shares in exchange for the net assets of TPCI based on the net asset value of TPCI as of December 31, 2023, of P7,076 and BDO share price as of December 29, 2023, of P130.50 per share. At the date of merger, the Parent Bank recognized additional assets and liabilities amounting to P16,580 and P9,746, respectively, and recognized merger reserves amounting to P6,256 applying the pooling of interest method, as TPCI was a wholly-owned subsidiary (under common control) prior to the effectivity of the merger. Treasury shares were recognized for the newly issued BDO common shares (see Note 22.1.2) which were subsequently disposed as property dividends to the shareholders of the Parent Bank, as approved by the BOD on April 19, 2024 and December 7, 2024, respectively. On May 5, 2025, the SEC approved the property dividend declaration to all eligible stockholders of BDO as of the record date of May 20, 2025, at an entitlement ratio of 0.0092057685 for every one (1) BDO share held on record date, with the payment date on May 30, 2025 (see Note 22.3).

31. TAXES

31.1 Current and Deferred Tax

The components of tax expense relating to profit or loss and other comprehensive income follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		
	2025	2024	2023
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%	11,180	11,370	11,239
Final taxes at 20%, 15% and 10%	8,065	8,361	7,295
Minimum corporate income tax (MCIT) at 2%	-	-	1
Adjustment to current income taxes	21	-	-
Adjustment to current income tax from prior year	-	140	-
	19,266	19,871	18,535
Deferred tax expense relating to origination and reversal of temporary differences	856	1,740	5,086
Adjustment to deferred income tax from prior year	-	(140)	-
	856	1,600	5,086
	20,122	21,471	23,621
<i>Reported in other comprehensive income:</i>			
Actuarial losses	(1,947)	(1,182)	(1,820)
Fair value of financial assets at FVOCI	29	5	6
	(1,918)	(1,177)	(1,814)

<i>(Amounts in PHP)</i>	Parent Bank		
	2025	2024	2023
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25%	9,544	9,554	9,630
Final taxes at 20%, 15% and 10%	6,779	7,178	6,232
Adjustment to current income taxes	21	-	-
Adjustment to current income tax from prior year	-	140	-
	16,344	16,872	15,862
Deferred tax expense relating to origination and reversal of temporary differences	791	1,443	4,949
Adjustment to deferred tax from prior year	-	(140)	-
	791	1,303	4,949
	17,135	18,175	20,811
<i>Reported in other comprehensive income:</i>			
Actuarial losses	(1,805)	(1,096)	(1,715)
Fair value of financial assets at FVOCI	27	5	4
	(1,778)	(1,091)	(1,711)

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below.

<i>(Amounts in PHP)</i>	BDO Unibank Group		
	2025	2024	2023
Tax on pretax profit at 25%	26,900	25,923	24,295
Adjustment for income subjected to lower income tax rates	(1,854)	(1,979)	(1,645)
Tax effects of:			
Income exempt from tax	(6,214)	(6,658)	(8,017)
Non-deductible expenses	5,375	4,856	8,722
Deductible temporary differences not recognized	(4,201)	(761)	168
Net operating loss carryover (NOLCO) not recognized	64	89	123
Adjustment to current income tax	20	-	-
Others	32	1	(25)
	20,122	21,471	23,621
	17,135	18,175	20,811
	17,135	18,175	20,811

Components of the net deferred tax assets (see Notes 17 and 21) as of December 31 follow:

<i>(Amounts in PHP)</i>	Statements of Financial Position			
	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Deferred tax assets:				
Unamortized past service costs	4,162	3,553	4,070	3,474
Retirement obligation (net of OCI)	(1,235)	(1,729)	(1,458)	(1,874)
Allowance for impairment	334	334	324	324
Lease income differential	19	20	-	-
Recognition of right-of-use assets and lease liabilities	(4)	(11)	-	-
Others	130	151	-	-
	<u>3,406</u>	<u>2,318</u>	<u>2,936</u>	<u>1,924</u>
Deferred tax liabilities:				
Assets held for sale	1,653	1,653	1,653	1,653
Revaluation increment	337	337	335	335
Capitalized interest	24	26	24	26
Retirement asset (net of OCI)	14	19	-	-
Changes in fair values of financial assets at FVOCI	33	4	27	-
Lease income differential	-	1	-	-
Others	238	233	-	-
	<u>2,299</u>	<u>2,273</u>	<u>2,039</u>	<u>2,014</u>
Net deferred tax assets (liabilities)	<u>1,107</u>	<u>45</u>	<u>897</u>	<u>(90)</u>

Movements in net deferred tax assets for the years ended:

<i>(Amounts in PHP)</i>	Statements of Income					
	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
Retirement obligation	1,449	2,474	1,878	1,389	2,627	1,715
Unamortized past service costs	(609)	(1,597)	1,565	(596)	(2,008)	1,724
Recognition of right-of-use assets and lease liabilities	(7)	21	76	-	-	84
Lease income differential	(1)	(19)	7	-	-	-
Capitalized interest	(2)	(2)	(3)	(2)	(2)	(3)
Allowance for impairment	-	774	1,573	-	702	1,429
Assets held for sale	-	(16)	-	-	(16)	-
Others	26	(35)	(10)	-	-	-
Deferred tax expense	<u>856</u>	<u>1,600</u>	<u>5,086</u>	<u>791</u>	<u>1,303</u>	<u>4,949</u>
<i>(Amounts in PHP)</i>	Statements of Comprehensive Income					
	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
Movements in actuarial losses	(1,947)	(1,182)	(1,820)	(1,805)	(1,096)	(1,715)
Movements in fair value of financial assets at FVOCI	29	5	6	27	5	4
Deferred tax income	<u>(1,918)</u>	<u>(1,177)</u>	<u>(1,814)</u>	<u>(1,778)</u>	<u>(1,091)</u>	<u>(1,711)</u>

The BDO Unibank Group is subject to MCIT, which is computed at 2% starting July 1, 2023, as defined under tax regulations or RCIT, whichever is higher.

The breakdown of NOLCO with the corresponding validity periods are as follows for the BDO Unibank Group (nil for the Parent Bank):

(Amounts in PHP)

<u>Year</u>	<u>NOLCO</u>	<u>Valid Until</u>
2025	234	2028
2024	246	2027
2023	395	2026

The amounts of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2025 and 2024 are as follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group			
	<u>2025</u>		<u>2024</u>	
	<u>Tax Base</u>	<u>Tax Effect</u>	<u>Tax Base</u>	<u>Tax Effect</u>
Allowance for impairment	88,492	22,123	97,479	24,370
NOLCO	875	219	985	246
MCIT	22	22	-	-
Others	1,168	292	7,177	1,794
	<u>90,557</u>	<u>22,656</u>	<u>105,641</u>	<u>26,410</u>
	Parent Bank			
	<u>2025</u>		<u>2024</u>	
<i>(Amounts in PHP)</i>	<u>Tax Base</u>	<u>Tax Effect</u>	<u>Tax Base</u>	<u>Tax Effect</u>
Allowance for impairment	88,360	22,090	97,347	24,337
Others	1,022	256	7,145	1,786
	<u>89,382</u>	<u>22,346</u>	<u>104,492</u>	<u>26,123</u>

The BDO Unibank Group and the Parent Bank claimed itemized deduction for income tax purposes.

31.2 Gross Receipts Tax

Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code, is imposed on banks, non-banks financial intermediaries and finance companies (per R.A. 9238).

GRT is levied on the BDO Unibank Group's lending income, which includes interest, commission and discounts and other income. The tax is computed at the prescribed rates of either 7%, 5% or 1% of the related income (per R.A. 9337).

31.3 Documentary Stamp Tax

Documentary stamp tax (DST) (at varying rates) is imposed on the following:

- (a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
- (b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other notes payable at sight or on demand;
- (c) Acceptance of bills of exchange and letters of credit; and,
- (d) Bills of lading or receipt.

31.4 *Supplementary Information Required by the Bureau of Internal Revenue (BIR)*

The BIR issued Revenue Regulations (RR) No. 15-2010 on November 25, 2010, requiring the disclosure of certain tax information as part of the notes to the financial statements.

This supplementary information, however, does not form part of the basic financial statements prepared in accordance with PFRS Accounting Standards. It is also not a required disclosure under the SEC's rules and regulations governing the form and content of financial statements pursuant to the revised Securities Regulation Code (SRC) Rule 68.

The Parent Bank has accordingly presented the tax information required by the BIR in a supplementary schedule, which is filed separately from the basic financial statements.

31.5 *International Tax Reform – Pillar Two Rules*

The Pillar Two Global anti-Base Erosion rules (GloBE or Pillar Two Rules) propose new taxing mechanisms under which multinational enterprises would pay a minimum level of tax. Tax legislations implementing the GloBE Rules have been enacted or substantively enacted in certain jurisdictions where the BDO Unibank Group operates. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively. As at December 31, 2025, the BDO Unibank Group has no significant exposure arising from the Pillar Two legislation.

32. EARNINGS PER SHARE

Basic earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024 (As Restated)</u>	<u>2023 (As Restated)</u>
Net profit attributable to shareholders of the Parent Bank	87,174	82,019	73,411
Dividends on preferred shares	(408)	(407)	(407)
Net profit available to common shares	86,766	81,612	73,004
Divided by the weighted average number of outstanding common shares (in millions)	5,328	5,319	5,314
Basic earnings per share	16.28	15.34	13.74

Diluted earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024 (As Restated)</u>	<u>2023 (As Restated)</u>
Net profit attributable to shareholders of the Parent Bank	87,174	82,019	73,411
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	5,328	5,319	5,314
Potential common shares from assumed conversion of preferred shares	46	43	47
Potential common shares from stock option plan	*	*	*
Total weighted average number of common shares after assumed conversion of convertible preferred shares	5,374	5,362	5,361
Diluted earnings per share	16.22	15.30	13.69

* Potential common shares from assumed conversion of stock option plan made through primary issuance do not significantly affect the computation of diluted earnings per share.

The 2024 and 2023 earnings per share of the BDO Unibank Group were restated to reflect the property dividends distributed in 2025 in the form of treasury shares (see Note 22.3). As a result of this restatement, the 2024 and 2023 basic earnings per share decreased from P15.48 to P15.34 and from P13.86 to P13.74, respectively. Likewise, the 2024 and 2023 diluted earnings per share decreased from P15.43 to P15.30 and from P13.82 to P13.69, respectively.

33. EVENTS AFTER THE REPORTING PERIOD

33.1 Acquisition of Additional Shares in BDO Network

On December 6, 2025, the BOD approved the acquisition of 8,437,499 common shares of BDO Network Bank for a consideration of up to P6,000, thereby increasing its shareholding from 85.86% to 99.93%. A Share Purchase Agreement with a third-party shareholder was executed on January 19, 2026. The transaction is subject to customary closing conditions and is pending regulatory approvals to date.

33.2 Sale of Shareholdings in Dominion Holdings

In early 2026, a certain buyer (a related party to certain shareholders of the Parent Bank) offered to buy the BDO Unibank Group's investment in Dominion Holdings. Accordingly, on January 10 and 16, 2026, and February 23, 2026 respectively, the BODs of the Parent Bank and BDO Capital approved the sale of all of their shares held in Dominion Holdings at a purchase price based on their pro-rata share in the sum of the enterprise net asset value of Dominion Holdings as of closing date and a premium of P200 equivalent to an estimated purchase price of P1.68 per share. Proceeds of the sale of the 1,914,712,207 shares held is estimated at P3,217. The Parent Bank's investment in Dominion Holdings amounted to P3,022 as of December 31, 2025 under the equity method of accounting. The business of Dominion Holdings is included as part of "Others" segment in Note 6 of the consolidated financial statements.

On January 19, 2026, a Share Purchase Agreement was executed by the Parent Bank with such interested buyer for the sale and purchase of 1,513,732,718 common shares of Dominion Holdings, representing 70% of the company based on the above estimated price per share of P1.68. A mandatory tender offer to the other shareholders of Dominion Holdings is being conducted by the buyer from February 10, 2026 until March 11, 2026, as required under the Securities Regulation Code. The sale is expected to be completed in 2026. On closing, the assets and liabilities of Dominion Holdings will be deconsolidated at their carrying amounts, with the resulting difference recognized in profit or loss. Management is currently assessing the impact to the 2026 consolidated financial statements.

33.3 Fixed Rate Bonds

On January 26, 2026, the Parent Bank issued P100,000 of ASEAN Sustainability Bonds. The bonds have a tenor of 3 years with coupon rate of 5.7125% per annum and will mature on January 26, 2029. The net proceeds from the issue are intended to support the Parent Bank's lending activities and diversify funding sources. These funds will be allocated by the Parent Bank to finance and/or refinance eligible assets as defined in BDO Unibank's Sustainable Finance Framework.

34. COMMITMENTS AND CONTINGENCIES

34.1 Litigations

The BDO Unibank Group has pending claims and is a defendant in various legal actions arising in the ordinary course of business. As of December 31, 2025, management believes that the resolution of these matters is not expected to have a material adverse impact on the BDO Unibank Group's financial position.

34.1.1 First e-Bank

In 2002, First e-Bank (“FeB”) experienced liquidity problems prompting the Philippine Deposit Insurance Corporation (PDIC) to invite several banks to propose a solution for FeB’s bailout. PDIC entered into contract with BDO Unibank where in consideration of the assumption by BDO Unibank of FeB’s liabilities in the maximum amount of P10,000, PDIC will provide BDO Unibank P10,000 of Financial Assistance and PDIC will receive FeB’s assets to recover said financial assistance.

About P5,000 of the financial assistance was released to BDO Unibank and the remaining P5,000 was deposited in escrow with BDO Trust and Investments Group (BDO – TIG) in accordance with the escrow agreement dated October 23, 2002 entered into by BDO Unibank, PDIC, and BDO – TIG.

In August 2016, PDIC authorized the release of a total amount of P4,650 from escrow inclusive of proportional interest. However, as of August 26, 2016, the amount of P1,224 remains in escrow, which includes: (i) P602, which covers assets BDO Unibank still considers capable of delivery worth P214 and the remaining assets PDIC classified as undeliverable; and (ii) all interest earnings thereon. Unable to agree on the release of the remaining amount in escrow, on September 20, 2016, the PDIC filed a Complaint for Specific Performance and Damages against BDO Unibank, which case was raffled to regional trial court (RTC) Makati City Branch 60.

On October 14, 2016, BDO Unibank filed its Answer to the Complaint affirming that it has assumed P10,000 in liabilities of FeB and is thus entitled to release of the remaining escrow of P1,224.

In a judgment dated May 31, 2018, RTC Makati dismissed the complaint, granted BDO Unibank’s counterclaim and ordered BDO – TIG to immediately release the remaining escrow amount, plus interests, to BDO Unibank. On June 18, 2018, the Parent Bank received an amount of P1,243 for the full termination of escrow. PDIC filed Notice of Appeal. In the Decision dated June 15, 2020, the Court of Appeals (CA) dismissed PDIC’s appeal. PDIC filed Motion for Reconsideration but the same was denied by the CA in a Resolution dated January 25, 2021. PDIC filed Petition for Review with the Supreme Court. The BDO Unibank filed a comment. In a resolution dated July 5, 2023, the Supreme Court denied PDIC’s petition for Review. PDIC filed Motion for Reconsideration but the same was denied by the Supreme Court with finality. The case is awaiting entry of judgment.

34.1.2 Others

BDO Unibank Group is a defendant in various cases pending before the courts involving alleged claims against the BDO Unibank Group, the outcomes of which cannot presently be determined. As of December 31, 2025, management believes that liabilities or losses that may arise from these claims would not have a material effect on the financial position and results of operations of the BDO Unibank Group and will recognize any such liabilities when a final resolution is reached for each case.

34.2 Lease Commitments – as Lessor

The following are the significant lease commitments involving the BDO Unibank Group:

34.2.1 Finance Leases

The BDO Unibank Group, as lessor, enters into finance lease arrangements covering various equipment and vehicles, with lease term ranging from one to five years. A significant portion of the BDO Unibank Group’s revenue from rental operations is derived from these leased assets.

To manage risks associated with these finance leases, the BDO Unibank Group retains legal title to the underlying assets, which serve as security for the finance lease receivables. Moreover, lessees are required to provide security deposits, which are presented as Lease deposits under Other Liabilities in the BDO Unibank Group’s statements of financial position (see Note 21).

Future minimum lease payments receivable (MLPR) under these finance leases together with the present value of net minimum lease payments receivable (NMLPR) follow:

<i>(Amounts in PHP)</i>	2025		2024	
	Future MLPR	PV of NMLPR	Future MLPR	PV of NMLPR
Within one year	2,617	2,607	2,284	2,275
After one year but not more than two years	2,170	2,080	2,014	1,939
After two years but not more than three years	1,562	1,286	1,456	1,248
After three years but not more than five years	789	423	1,273	715
Total MLPR	7,138	6,396	7,027	6,177
Unearned lease income	(742)	-	(850)	-
Present value of MLPR	6,396	6,396	6,177	6,177

The net investment in these finance leases, presented as part of Loans and discounts under Loans and Other Receivables in the BDO Unibank Group's statements of financial position as of December 31, 2025 and 2024, amounted to P6,396 and P6,177, respectively, for the BDO Unibank Group, and nil in both years for the Parent Bank (see Note 11). Changes in the carrying amount of the net investment in finance leases during the year pertains to new lease arrangements entered into, the amortization of interest income, and collections on outstanding receivables.

Interest income recognized on the net investment in finance leases is presented in the BDO Unibank Group's statements of income as follows:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Interest income	23	511	427	314
Miscellaneous - net	25	4	3	2
		515	430	316

34.2.2 Operating Leases

The BDO Unibank Group and the Parent Bank entered into various operating lease arrangements covering land, office spaces, and equipment, with lease terms ranging from less than one year to thirteen years and ten months. Operating lease income, presented as Rental under Other Operating Income in the BDO Unibank Group's statements of income for the years ended December 31, 2025, 2024 and 2023, amounted to P2,629, P3,016 and P1,081, respectively, for the BDO Unibank Group and P1,938, P595 and P460, respectively, for the Parent Bank (see Note 25).

Future minimum rental receivables as of December 31, 2025 under operating leases follow:

<i>(Amounts in PHP)</i>	BDO Unibank Group	Parent Bank
Within one year	1,653	934
More than one year to two years	1,023	646
More than two years to three years	739	483
More than three years to four years	437	304
More than four years to five years	274	137
More than five years	382	222
	4,508	2,726

35. **SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP**

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) *Selected Financial Performance Indicators*

The following are some indicators of the BDO Unibank Group and Parent Bank's financial performance.

	BDO Unibank Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
Return on common equity	14.4%	15.1%	15.2%	14.4%	15.2%	13.9%
Return on average equity	14.3%	15.0%	15.0%	14.3%	15.1%	13.9%
Return on average resources	1.7%	1.8%	1.7%	1.8%	1.8%	1.6%
Net interest margin	4.3%	4.4%	4.4%	4.2%	4.3%	4.3%

Average asset, capital, and interest-earning assets are computed as the simple average of outstanding balance of assets, capital, and interest-earning assets at average of December 2023, December 2024 and December 2025. (2 data points)

(b) *Capital Instruments Issued*

As of December 31, 2025 and 2024, the BDO Unibank Group has only two classes of capital stock, which are common and preferred shares.

(c) *Significant Credit Exposures for Loans*

The BDO Unibank Group and Parent Bank's concentration of credit risk as to industry for its receivables from customer's gross of allowance for ECL below and in the succeeding page are disclosed in Note 4.3.3.

BDO Unibank Group

(Amounts in PHP)

	2025		2024	
	Amount	Percentage	Amount	Percentage
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	671,027	18.4%	567,360	17.6%
Electricity, gas, steam and air-conditioning supply	510,172	14.0%	405,938	12.6%
Wholesale and retail trade	452,004	12.4%	397,620	12.3%
Real estate activities	438,567	12.0%	410,256	12.7%
Financial and insurance activities	322,111	8.8%	256,720	8.0%
Manufacturing	289,226	7.9%	306,987	9.5%
Information and communication	182,695	5.0%	163,332	5.1%
Transportation and storage	172,762	4.7%	158,473	4.9%
Education	103,984	2.9%	82,186	2.6%
Construction	89,443	2.5%	103,261	3.2%
Arts, entertainment and recreation	83,184	2.3%	82,198	2.6%
Water supply, sewerage, waste management and remediation activities	58,228	1.6%	52,768	1.6%
Human health and social services activities	56,513	1.5%	39,406	1.2%
Accommodation and food services activities	51,632	1.4%	45,403	1.4%
Agriculture, forestry and fishing	30,483	0.8%	35,865	1.1%
Mining and quarrying	18,906	0.5%	16,146	0.5%
Administrative and support services	11,163	0.3%	10,226	0.3%
Professional, scientific, and technical activities	8,369	0.2%	9,210	0.3%
Public administrative and defense; compulsory social security	982	0.0%	1,069	0.0%
Other service activities	103,219	2.8%	80,806	2.5%
	3,654,670	100%	3,225,230	100%

Parent Bank

<i>(Amounts in PHP)</i>	2025		2024	
	Amount	Percentage	Amount	Percentage
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	662,833	18.8%	562,270	18.0%
Electricity, gas, steam and air-conditioning supply	509,801	14.5%	405,545	13.0%
Wholesale and retail trade	441,808	12.5%	389,472	12.5%
Real estate activities	440,254	12.5%	411,703	13.2%
Financial and insurance activities	321,961	9.1%	256,560	8.2%
Manufacturing	287,672	8.2%	305,351	9.8%
Information and communication	182,436	5.2%	163,187	5.2%
Transportation and storage	172,332	4.9%	158,348	5.1%
Construction	88,097	2.5%	101,743	3.3%
Arts, entertainment and recreation	83,177	2.4%	82,192	2.6%
Water supply, sewerage, waste management and remediation activities	58,159	1.7%	52,696	1.7%
Human health and social services activities	56,114	1.6%	39,174	1.3%
Accommodation and food services activities	51,127	1.5%	45,063	1.4%
Mining and quarrying	18,617	0.5%	16,003	0.5%
Agriculture, forestry and fishing	18,508	0.5%	15,428	0.5%
Administrative and support services	10,580	0.3%	9,663	0.3%
Education	8,852	0.3%	8,899	0.3%
Professional, scientific, and technical activities	8,290	0.2%	9,127	0.3%
Public administrative and defense; compulsory social security	967	0.0%	1,002	0.0%
Other service activities	99,933	2.8%	87,989	2.8%
	3,521,518	100%	3,121,415	100%

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

As of December 31, 2025, 10% of Tier 1 capital of the BDO Unibank Group and the Parent Bank amounted to P56,057 and P51,735, respectively. As of December 31, 2024, 10% of Tier 1 capital of the BDO Unibank Group and the Parent Bank amounted to P50,263 and P46,804, respectively. The table below shows the industry groups exceeding this level.

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	671,027	567,360	662,833	562,270
Electricity, gas, steam and air-conditioning supply	510,172	405,938	509,801	405,545
Wholesale and retail trade	452,004	397,620	441,808	389,472
Real estate activities	438,567	410,256	440,254	411,703
Financial and insurance activities	322,111	256,720	321,961	256,560
Manufacturing	289,226	306,987	287,672	305,351
Information and communication	182,695	163,332	182,436	163,187
Transportation and storage	172,762	158,473	172,332	158,348
Education	103,984	82,186	8,852	*
Construction	89,443	103,261	88,097	101,743
Arts, entertainment and recreation	83,184	82,198	83,177	82,192
Water supply, sewerage, waste management and remediation activities	58,228	52,768	58,159	52,696
Human health and social work activities	56,513	*	56,114	*
Other service activities	103,219	80,806	99,933	87,989

*Not applicable as the amount did not exceed 10% of Tier 1 capital in 2024.

(d) Credit Status of Loans

The breakdown of receivable from customers as to status is shown below:

(Amounts in PHP)	2025			2024		
	Performing	Non-Performing	Total Loan Portfolio	Performing	Non-Performing	Total Loan Portfolio
BDO Unibank Group						
Gross carrying amount:						
Corporate	2,720,731	18,130	2,738,861	2,432,137	20,468	2,452,605
Consumer	870,934	44,875	915,809	731,743	40,882	772,625
Allowance for ECL	(51,522)	(32,318)	(83,840)	(51,618)	(37,479)	(89,097)
Net carrying amount	<u>3,540,143</u>	<u>30,687</u>	<u>3,570,830</u>	<u>3,112,262</u>	<u>23,871</u>	<u>3,136,133</u>
Parent Bank						
Gross carrying amount:						
Corporate	2,711,957	18,089	2,730,046	2,424,248	20,465	2,444,713
Consumer	750,688	40,784	791,472	639,431	37,271	676,702
Allowance for ECL	(50,953)	(30,203)	(81,156)	(51,173)	(35,482)	(86,655)
Net carrying amount	<u>3,411,692</u>	<u>28,670</u>	<u>3,440,362</u>	<u>3,012,506</u>	<u>22,254</u>	<u>3,034,760</u>

Non-performing loans (NPL) included in the total loan portfolio of the BDO Unibank Group and the Parent Bank as of December 31, 2025 and 2024 are presented below net of specific allowance for impairment, in compliance with BSP Circular No. 941, *Amendments to Regulations on Past Due and Non-Performing Loans*.

(Amounts in PHP)	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
NPL	62,212	60,453	58,243	56,995
Allowance for impairment	(31,764)	(36,783)	(29,797)	(34,948)
	<u>30,448</u>	<u>23,670</u>	<u>28,446</u>	<u>22,047</u>

Per MORB, loans shall be considered non-performing even without any missed contractual payments when these are considered as impaired under existing accounting standards, classified as doubtful or loss, under litigation, and/or when there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered as non-performing when any principal and/or interest remains unpaid for more than 90 days from contractual due date, or when accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance loans and other small loans with similar credit characteristics shall be considered non-performing after their contractual due date, or once they become past due. Restructured loans are likewise classified as non-performing; however, if such loans were performing prior to restructuring, that classification is retained.

As of December 31, 2025 and 2024, the NPLs not fully covered by allowance for credit losses follow:

(Amounts in PHP)	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Gross NPLs	62,212	60,453	58,243	56,995
NPLs fully covered by allowance for impairment	(12,125)	(16,549)	(10,223)	(16,294)
	<u>50,087</u>	<u>43,904</u>	<u>48,020</u>	<u>40,701</u>

NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal have been received for at least six months; or (b) the loans are written-off.

Restructured loans amount to P77,592 and P72,591 for BDO Unibank Group and P76,595 and P71,478 for Parent Bank as of December 31, 2025 and 2024, respectively. The related allowance for credit losses on these loans amounted to P29,990 and P29,397 for BDO Unibank Group and P29,564 and P28,889 for Parent Bank as of December 31, 2025 and 2024, respectively.

As of December 31, 2025, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank as reported to BSP were 1.68% and 0.82%, and 1.62% and 0.79%, respectively. As of December 31, 2024, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank were 1.83% and 0.72%, and 1.78% and 0.69%, respectively. Most of the NPLs are secured by real estate or chattel mortgages.

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

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to secured and unsecured follows:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Secured:				
Real estate mortgage	496,979	423,293	492,566	420,018
Chattel mortgage	108,055	97,485	100,820	91,236
Other securities	49,289	51,404	47,882	49,957
	654,323	572,182	641,268	561,211
Unsecured	3,000,347	2,653,048	2,880,250	2,560,204
	3,654,670	3,225,230	3,521,518	3,121,415

(f) *Information on Related Party Loans*

In the ordinary course of business, the Parent Bank enters into loan transactions with its subsidiaries, affiliates, and certain DOSRI. In accordance with the Parent Bank's policies, these loans are extended on terms that are substantially comparable to those offered to other borrowers with similar risk profiles. For loans granted to DOSRI, at least 70% of the loan, other credit accommodations and guarantees must be secured. Furthermore, the total amount of such loans must not exceed the combined value of the DOSRI's unencumbered deposits and the book value of their paid-in capital contribution in the Parent Bank. Total Outstanding loans, Other credit accommodations, and guarantees to DOSRIs must not exceed 15% of the total loan portfolio of the Parent Bank or 100% of its net worth, whichever is lower. The unsecured portion must not exceed 30% of the applicable ceiling or the outstanding amount, whichever is lower. However, non-risk loans are excluded in determining compliance with the individual and aggregate DOSRI ceilings.

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

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Total DOSRI loans	17,548	18,965	17,542	18,962
Unsecured DOSRI loans	2,796	2,634	2,796	2,634
Past due DOSRI loans	6	7	6	7
Non-performing DOSRI loans	37	30	37	30
% of DOSRI loans to total loan portfolio	0.48%	0.59%	0.50%	0.61%
% of unsecured DOSRI loans to total DOSRI loans	15.94%	13.89%	15.94%	13.89%
% of past due DOSRI loans to total DOSRI loans	0.04%	0.03%	0.04%	0.03%
% of non-performing DOSRI loans to total DOSRI loans	0.21%	0.16%	0.21%	0.16%

DOSRI loans of the BDO Unibank Group and the Parent Bank bear annual interest rates of 4.25% to 9.00% and 4.25% to 7.00%, respectively, in 2025, 4.25% to 9.00% and 4.25% to 6.94%, respectively, in 2024 and 4.00% to 9.00% and 4.00% and 7.00%, respectively, in 2023. These exclude credit card receivables, which bear a monthly interest rate of 0.00% to 3.00% in 2025, 2024 and 2023 both for BDO Unibank Group and the Parent Bank.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to related parties (inclusive of DOSRI) as of December 31 as reported to the BSP:

<i>(Amounts in PHP)</i>	BDO Unibank Group		Parent Bank	
	2025	2024	2025	2024
Total Related Party loans	122,704	122,679	122,655	122,636
Unsecured Related Party	95,388	91,825	95,388	91,825
Past due Related Party	6	7	6	7
Non-performing Related Party	37	30	37	30
% of Related Party loans to total loan portfolio	3.36%	3.80%	3.48%	3.93%
% of unsecured Related Party loan to total Related Party loans	77.74%	74.85%	77.77%	74.88%
% of past due Related Party loan to total Related Party loans	0.01%	0.01%	0.01%	0.01%
% of non-performing Related Party loans to total Related Party loans	0.03%	0.02%	0.03%	0.02%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude those extended to borrowers prior to their classification as DOSRI.

Under these regulations, total outstanding exposures to each of the Parent Bank's subsidiaries and affiliates must not exceed 10.0% of the Parent Bank's net worth, while the unsecured portion of such exposures is limited to 5.0% of the Parent Bank's net worth. Furthermore, the overall outstanding exposure to all subsidiaries and affiliates is capped at 20.0% of the Parent Bank's net worth.

As of December 31, 2025 and 2024, the BDO Unibank Group and Parent Bank is in compliance with these regulatory requirements.

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

The aggregate amount of resources pledged as security and secured liabilities in 2025 totaled to P11,539 and P11,194 for both BDO Unibank Group and the Parent Bank, respectively. In 2024, the aggregate amount of resources pledged as security and secured liabilities totaled to P17,498 and P13,736 for the BDO Unibank Group and P16,718 and P13,168 for the Parent Bank, respectively.

(h) *Contingencies and Commitments arising from Off-Balance Sheet Items*

In the normal course of the BDO Unibank Group and the Parent Bank's operations, various outstanding commitments and contingent liabilities, such as guarantees, commitments to extend credit, etc., that are not reflected in the BDO Unibank Group and the Parent Bank's financial statements. The BDO Unibank Group and the Parent Bank recognize any losses or liabilities as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2025 and 2024, no additional material losses or liabilities need to be recognized in the financial statements of BDO Unibank Group and the Parent Bank arising from these commitments and contingencies.

The summary of BDO Unibank Group and the Parent Bank's commitments and contingent accounts is shown below.

<i>(Amounts in PHP)</i>	Note	BDO Unibank Group		Parent Bank	
		2025	2024	2025	2024
Trust department accounts	28	2,587,814	2,305,471	1,883,292	1,668,246
Committed credit lines	4.3.2	843,016	656,129	843,016	656,129
Forward exchange bought		277,490	278,229	241,537	255,966
Forward exchange sold		270,356	297,703	232,418	274,087
Other contingent accounts		89,603	41,455	95,902	47,755
Unused commercial letters of credit	4.3.2	59,372	89,081	59,372	89,081
Bills for collection		23,777	14,339	23,777	14,339
Spot exchange sold		21,904	45,251	21,327	45,034
Export letters of credit confirmed		15,567	13,854	15,567	13,854
ROP warrants		8,475	8,475	8,475	8,475
Interest rate swap receivable		6,671	1,716	6,671	1,716
Interest rate swap payable		6,671	1,716	6,671	1,716
Spot exchange bought		4,842	12,971	4,607	11,697
Late deposits/payments received		2,422	3,058	2,367	3,018
Outstanding guarantees issued		1,061	2,779	1,061	2,779