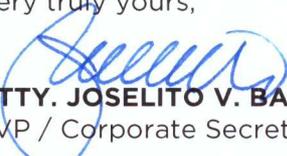


February 27, 2026**SECURITIES AND EXCHANGE COMMISSION**SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Brgy. Bel-Air, Makati CityAttention : **DIRECTOR OLIVER O. LEONARDO**
*Markets and Securities Regulation Department**via PSE EDGE***THE PHILIPPINE STOCK EXCHANGE, INC.**6th Floor, PSE Tower
28th Street corner 5th Avenue
Bonifacio Global City, Taguig CityAttention : **ATTY. JOHANNE DANIEL M. NEGRE**
*Officer-in-Charge, Disclosure Department**via electronic mail***PHILIPPINE DEALING AND EXCHANGE CORP.**29/F BDO Equitable Tower
8751 Paseo de Roxas
Makati CityAttention : **ATTY. SUZY CLAIRE R. SELLEZA**
*Head - Issuer Compliance and Disclosure Department***Gentlemen:**

We are sending herewith Union Bank of the Philippines Consolidated Key Financial Information as of and for the period ended December 31, 2025.

Thank you.

Very truly yours,


ATTY. JOSELITO V. BANAAG
SVP / Corporate Secretary

SIGNATURES

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

UNION BANK OF THE PHILIPPINES
Registrant

February 27, 2026
Date

BY:


ATTY. JOSELITO V. BANAAG
SVP / Corporate Secretary

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

U	N	I	O	N		B	A	N	K		O	F		T	H	E		P	H	I	L	I	P	P	I	N	E	S

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

U	N	I	O	N		B	A	N	K		P	L	A	Z	A		M	E	R	A	L	C	O		A	V	E	N	U	E
C	O	R		O	N	Y	X		A	N	D		S	A	P	H	I	R	E		S	T	R	E	E	T	S			
O	R	T	I	G	A	S		C	E	N	T	E	R	,		P	A	S	I	G		C	I	T	Y					

Form Type	Department requiring the report	Secondary License Type, If Applicable												
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A	A	F	S											

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.unionbankph.com	(632) 8841-8600	
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,942	April 25	December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
EDGAR ALLAN G. OBLENA	eagoblerna@unionbankph.com	n/a	09178278960

CONTACT PERSON'S ADDRESS

UnionBank Plaza Bldg, Meralco Ave. cor. Onyx and Sapphire Streets, Ortigas Center, Pasig City
--

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Union Bank of the Philippines
UnionBank Plaza, Meralco Avenue corner
Onyx Street and Sapphire Road, Ortigas Center, Pasig City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Union Bank of the Philippines and its subsidiaries (the Group) and the parent bank financial statements of Union Bank of the Philippines (the Parent Bank), which comprise the consolidated and parent bank statements of financial position as at December 31, 2025 and 2024, and the consolidated and parent bank statements of income, consolidated and parent bank statements of comprehensive income, consolidated and parent bank statements of changes in capital funds and consolidated and parent bank statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the consolidated and parent bank financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and parent bank financial statements present fairly, in all material respects, the financial position of the Group and 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 (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Bank Financial Statements* section of our report. We are independent of the Group and the Parent Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of financial statements of public interest entities in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent bank financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent bank financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Parent Bank Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent bank financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent bank financial statements.

Applicable to the Audit of the Consolidated and Parent Bank Financial Statements

Allowance for expected credit loss

The Group's and the Parent Bank's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Refer to Notes 3 and 20 of the consolidated and parent bank financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's and the Parent Bank's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of the model validation on the risk rating performed by management's specialist.

We (a) assessed the Group's and the Parent Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place; (c) tested the Group's and the Parent Bank's application of internal credit risk rating system, by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of credit enhancements provided by any party; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Bank's lending portfolios and broader industry knowledge; and (g) tested the effective interest rate used in discounting the expected credit loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.



We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated and parent bank financial statements.

We involved our internal specialists in the performance of the above procedures.

Impairment testing of goodwill

Under PFRS Accounting Standards, the Group and the Parent Bank are required to annually test the amount of goodwill for impairment. The Group's and the Parent Bank's goodwill attributable to the various cash generating units (CGUs) is considered significant to the consolidated and parent bank financial statements. The Group's and the Parent Bank's impairment assessment requires significant judgement and is based on assumptions which are subject to higher level of estimation uncertainty, specifically on discount rate and long-term growth rate.

The disclosures in relation to the CGUs to which the goodwill is allocated and the Group's and the Parent Bank's impairment assessment are included in Notes 3 and 18 to the consolidated and parent bank financial statements.

Audit Response

We obtained an understanding of the management's process for evaluating the impairment of goodwill. We involved our internal specialist in evaluating the methodologies and the assumptions used in calculating the value in use (VIU) of the CGUs. We compared the key assumptions used against the historical financial performance and the specific plans for the CGUs and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's and the Parent Bank's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

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

Our opinion on the consolidated and parent bank 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 consolidated and parent bank 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 consolidated and parent bank 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 Consolidated and Parent Bank Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent bank financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent bank financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and parent bank financial statements, management is responsible for assessing the Group's and 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 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 Group's and Parent Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Bank Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent bank financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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 consolidated and parent bank financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and parent bank financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and 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 auditor's report to the related disclosures in the consolidated and parent bank 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 auditor's report. However, future events or conditions may cause the Group and the Parent Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated and parent bank financial statements, including the disclosures, and whether the consolidated and parent bank financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent bank financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 37 to the financial statements and Revenue Regulations 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Union Bank of the Philippines. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



The engagement partner on the audit resulting in this independent auditor's report is Janeth T Nuñez-Javier.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier

Partner

CPA Certificate No. 111092

Tax Identification No. 900-322-673

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 111092-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

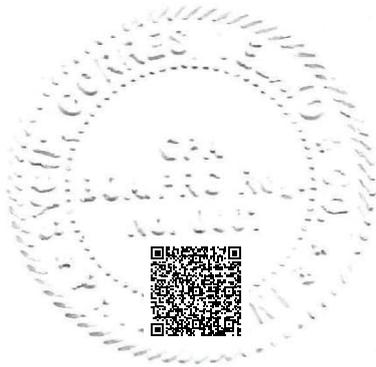
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-069-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10765098, January 2, 2026, Makati City

February 27, 2026



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(Amounts are presented in thousands of Philippine Pesos)

	Group		Parent Bank	
	December 31			
	2025	2024	2025	2024
RESOURCES				
Cash and Other Cash Items (Note 8)	₱11,419,221	₱10,143,777	₱10,359,243	₱9,270,243
Due from Bangko Sentral ng Pilipinas (Note 8)	40,810,142	82,146,575	33,273,256	49,212,089
Due from Other Banks (Note 9)	35,315,210	33,890,538	34,165,202	31,139,779
Interbank Loans Receivable and Securities Purchased under Reverse Repurchase Agreements (SPURRA) (Note 10)	41,160,662	1,878,992	10,215,662	178,992
Trading and Investment Securities				
At fair value through profit or loss (FVTPL) (Note 11)	23,897,021	10,295,089	23,839,088	10,028,598
At amortized cost (Note 12)	308,751,875	323,412,938	298,459,094	313,388,774
At fair value through other comprehensive income (FVOCI) (Note 13)	39,336,513	39,512,654	39,074,932	39,251,455
Loans and Other Receivables - net (Note 14)	537,682,367	522,655,816	417,889,678	406,180,888
Investment in Subsidiaries and Associates (Note 15)	963,301	35,755	37,748,014	37,301,269
Bank Premises, Furniture, Fixtures and Equipment - net (Note 16)	11,628,640	11,001,211	9,930,101	9,324,944
Investment Properties - net (Note 17)	10,092,938	9,789,983	9,041,001	8,564,812
Goodwill (Note 18)	53,992,565	53,992,565	43,339,696	43,339,696
Other Resources - net (Note 19)	44,415,010	46,685,142	33,856,481	36,521,955
TOTAL RESOURCES	₱1,159,465,465	₱1,145,441,035	₱1,001,191,448	₱993,703,494
LIABILITIES AND CAPITAL FUNDS				
LIABILITIES				
Deposit Liabilities (Note 21)				
Demand	₱267,019,131	₱231,377,969	₱267,585,484	₱232,683,444
Savings	232,967,967	215,542,898	224,540,186	208,381,675
Time	234,046,690	229,401,929	128,021,271	131,416,771
Bills Payable (Note 22)	734,033,788	676,322,796	620,146,941	572,481,890
Notes and Bonds Payable (Note 23)	132,009,906	162,256,379	100,424,273	126,169,642
Other Liabilities (Note 24)	39,662,164	57,565,582	33,375,113	51,724,287
	50,906,747	53,228,656	45,012,737	48,098,791
	956,612,605	949,373,413	798,959,064	798,474,610
CAPITAL FUNDS				
Capital funds attributable to the Parent Bank's stockholders (Note 25)				
Common stock	33,164,056	33,164,056	33,164,056	33,164,056
Additional paid-in capital	64,367,634	64,367,634	64,367,634	64,367,634
Surplus free	104,626,207	97,521,588	106,124,381	98,787,952
Surplus reserves	2,797,708	3,277,772	1,665,903	2,227,106
Net unrealized fair value losses on investment securities at FVOCI (Note 13)	(1,242,783)	(1,766,482)	(1,243,799)	(1,768,342)
Remeasurements of defined benefit plans (Note 29)	(1,919,467)	(1,615,135)	(1,857,571)	(1,553,703)
Other reserves	267,404	258,204	11,780	4,181
Total capital funds attributable to the Parent Bank's stockholders	202,060,759	195,207,637	202,232,384	195,228,884
Non-controlling interests	792,101	859,985	-	-
	202,852,860	196,067,622	202,232,384	195,228,884
TOTAL LIABILITIES AND CAPITAL FUNDS	₱1,159,465,465	₱1,145,441,035	₱1,001,191,448	₱993,703,494

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF INCOME

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
INTEREST INCOME ON						
Loans and other receivables (Note 14)	₱62,917,877	₱63,082,428	₱59,219,084	₱43,812,318	₱43,303,533	₱38,853,221
Investment securities at amortized cost and FVOCI (Notes 12 and 13)	17,204,128	16,078,724	15,620,211	16,691,444	15,627,153	15,172,216
Cash and cash equivalents (Notes 8 and 9)	2,025,107	2,656,793	2,160,236	968,054	1,156,380	947,155
Interbank loans receivable and SPURRA (Note 10)	1,466,511	1,428,743	1,367,804	738,381	554,893	518,152
Trading securities at FVTPL (Note 11)	746,555	493,428	194,354	746,555	487,216	193,268
	84,360,178	83,740,116	78,561,689	62,956,752	61,129,175	55,684,012
INTEREST EXPENSE ON						
Deposit liabilities (Note 21)	9,437,615	12,493,397	15,788,182	3,346,881	5,757,673	9,457,250
Bills payable and other liabilities (Notes 22, 23, 24 and 29)	10,675,337	13,218,409	10,797,983	8,159,015	10,412,382	8,532,872
	20,112,952	25,711,806	26,586,165	11,505,896	16,170,055	17,990,122
NET INTEREST INCOME	64,247,226	58,028,310	51,975,524	51,450,856	44,959,120	37,693,890
PROVISION FOR CREDIT LOSSES (Note 20)	21,156,462	17,908,122	12,916,888	14,716,228	11,565,026	9,944,087
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	43,090,764	40,120,188	39,058,636	36,734,628	33,394,094	27,749,803
OTHER INCOME (LOSS)						
Service charges, fees and commissions (Note 27)	15,316,162	13,801,019	11,220,811	13,088,654	11,306,080	9,153,672
Gains on trading and investment securities at FVTPL and FVOCI (Notes 11 and 13)	1,147,521	1,536,349	918,647	1,149,250	1,534,198	917,695
Miscellaneous (Note 28)	2,517,707	4,493,190	5,538,955	(1,622,167)	3,276,765	7,750,391
	18,981,390	19,830,558	17,678,413	12,615,737	16,117,043	17,821,758
TOTAL OPERATING INCOME	62,072,154	59,950,746	56,737,049	49,350,365	49,511,137	45,571,561
OTHER EXPENSES						
Salaries and employee benefits (Notes 29 and 31)	15,598,909	14,120,125	13,558,225	11,169,021	10,396,787	10,232,372
Taxes and licenses (Note 17)	5,932,599	6,095,743	5,941,970	3,814,376	4,136,943	4,045,416
Depreciation and amortization (Note 16)	3,834,052	2,841,728	2,666,493	2,817,924	2,114,836	1,939,485
Occupancy (Note 16)	1,251,735	1,172,877	1,164,202	904,840	893,333	891,506
Miscellaneous (Note 28)	21,256,321	20,037,050	21,557,379	16,943,600	16,048,356	18,108,976
	47,873,616	44,267,523	44,888,269	35,649,761	33,590,255	35,217,755
PROFIT BEFORE TAX	14,198,538	15,683,223	11,848,780	13,700,604	15,920,882	10,353,806
INCOME TAX EXPENSE (Note 30)	4,196,652	3,653,487	2,644,225	3,608,972	3,688,451	1,525,349
NET PROFIT	₱10,001,886	₱12,029,736	₱9,204,555	₱10,091,632	₱12,232,431	₱8,828,457
Attributable to:						
Parent Bank's stockholders	₱9,940,961	₱11,929,971	₱9,072,217			
Non-controlling interests	60,925	99,765	132,338			
	₱10,001,886	₱12,029,736	₱9,204,555			
Basic/Diluted Earnings per Share (Note 32)	₱3.00	₱3.75	₱3.06	₱3.04	₱3.85	₱2.97

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2025, 2024 and 2023

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
NET PROFIT	₱10,001,886	₱12,029,736	₱9,204,555	₱10,091,632	₱12,232,431	₱8,828,457
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>						
Unrealized mark-to-market gains on investment securities at FVOCI	1,116,324	631,325	12,279,193	1,116,869	620,637	12,278,125
Realized gains on sale of investment securities at FVOCI recognized in profit or loss (Note 13)	(592,699)	(192,694)	(416,510)	(592,699)	(192,694)	(416,510)
Cumulative translation adjustment	9,200	(5,817)	(20,991)	8,012	3,506	(20,991)
Share in unrealized mark-to-market gains (losses) on investment securities at FVOCI of subsidiaries (Note 15)	–	–	–	(38)	(14,854)	907
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Remeasurement gains (losses) on defined benefit plan, net of tax (Notes 29 and 30)	(303,061)	5,023	(396,859)	(345,385)	227,536	(465,923)
Share in changes in remeasurement gains of subsidiaries (Note 15)	–	–	–	41,517	(214,973)	65,891
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	229,764	437,837	11,444,833	228,276	429,158	11,441,499
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱10,231,650	₱12,467,573	₱20,649,388	₱10,319,908	₱12,661,589	₱20,269,956
Attributable to:						
Parent Bank's stockholders	₱10,169,528	₱12,365,322	₱20,513,716	₱10,319,908	₱12,661,589	₱20,269,956
Non-controlling interests	62,122	102,251	135,672	–	–	–
	₱10,231,650	₱12,467,573	₱20,649,388	₱10,319,908	₱12,661,589	₱20,269,956

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL FUNDS FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(Amounts are presented in thousands of Philippine Pesos)

	Group											
	Equity Attributable to Equity Holders of the Parent Bank											
	Capital Stock	Treasury Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non-controlling Interests	Total Capital Funds
Balances as at January 1, 2025	₱33,164,056	₱-	₱64,367,634	₱-	₱97,521,588	₱3,277,772	(₱1,766,482)	(₱1,615,135)	₱258,204	₱195,207,637	₱859,985	₱196,067,622
Total comprehensive income (loss) for the year	-	-	-	-	9,940,961	-	523,699	(304,332)	9,200	10,169,528	62,122	10,231,650
Cash dividends (Note 25)	-	-	-	-	(3,316,406)	-	-	-	-	(3,316,406)	-	(3,316,406)
Reversal of appropriations during the year - net (Note 25)	-	-	-	-	480,064	(480,064)	-	-	-	-	-	-
Dividends of subsidiaries to NCI	-	-	-	-	-	-	-	-	-	-	(130,006)	(130,006)
Balances as at December 31, 2025	₱33,164,056	₱-	₱64,367,634	₱-	₱104,626,207	₱2,797,708	(₱1,242,783)	(₱1,919,467)	₱267,404	₱202,060,759	₱792,101	₱202,852,860
Balances as at January 1, 2024	₱23,537,746	(₱2,097)	₱57,769,376	₱6,355,129	₱88,719,176	₱2,542,762	(₱2,195,087)	(₱1,627,698)	(₱108,141)	₱174,991,166	₱634,258	₱175,625,424
Total comprehensive income (loss) for the year	-	-	-	-	11,929,971	-	428,605	12,563	(5,817)	12,365,322	102,251	12,467,573
Issuance of new shares (Note 25)	3,271,181	-	6,671,910	-	-	-	-	-	-	9,943,091	-	9,943,091
Cash dividends (Note 25)	-	-	-	-	(2,391,408)	-	-	-	-	(2,391,408)	-	(2,391,408)
Deemed disposal of interest in a subsidiary (Note 1)	-	-	-	-	-	-	-	-	372,162	372,162	183,106	555,268
Stock dividends (Note 25)	6,355,129	-	(73,652)	(6,355,129)	-	-	-	-	-	(73,652)	-	(73,652)
Sale of treasury stock (Note 25)	-	2,097	-	-	(1,141)	-	-	-	-	956	1,068	2,024
Appropriations during the year - net (Note 25)	-	-	-	-	(735,010)	735,010	-	-	-	-	-	-
Dividends of subsidiaries to NCI	-	-	-	-	-	-	-	-	-	-	(60,698)	(60,698)
Balances as at December 31, 2024	₱33,164,056	₱-	₱64,367,634	₱-	₱97,521,588	₱3,277,772	(₱1,766,482)	(₱1,615,135)	₱258,204	₱195,207,637	₱859,985	₱196,067,622

(Forward)



Group												
Equity Attributable to Equity Holders of the Parent Bank												
	Capital Stock	Treasury Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non-controlling Interests	Total Capital Funds
Balances as at January 1, 2023	₱21,421,068	₱-	₱47,949,927	₱-	₱90,799,424	₱2,452,975	(₱14,057,609)	(₱1,227,666)	₱30,989	₱147,369,108	₱844,712	₱148,213,820
Total comprehensive income (loss) for the year	-	-	-	-	9,072,217	-	11,862,522	(400,032)	(20,991)	20,513,716	135,672	20,649,388
Issuance of new shares (Note 25)	2,116,678	-	9,869,950	-	-	-	-	-	-	11,986,628	-	11,986,628
Purchase of treasury stock (Note 25)	-	(2,097)	-	-	-	-	-	-	-	(2,097)	-	(2,097)
Stock dividends (Note 25)	-	-	(50,501)	6,355,129	(6,355,129)	-	-	-	-	(50,501)	-	(50,501)
Cash dividends (Note 25)	-	-	-	-	(4,707,549)	-	-	-	-	(4,707,549)	-	(4,707,549)
Appropriations during the year - net (Note 25)	-	-	-	-	(89,787)	89,787	-	-	-	-	-	-
Acquisition of non-controlling interests (NCI)	-	-	-	-	-	-	-	-	(118,139)	(118,139)	(230,227)	(348,366)
Dividends of subsidiaries to NCI	-	-	-	-	-	-	-	-	-	-	(115,899)	(115,899)
Balances as at December 31, 2023	₱23,537,746	(₱2,097)	₱57,769,376	₱6,355,129	₱88,719,176	₱2,542,762	(₱2,195,087)	(₱1,627,698)	(₱108,141)	₱174,991,166	₱634,258	₱175,625,424



Parent Bank										
	Capital Stock	Treasury Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total Capital Funds
Balances as at January 1, 2025	₱33,164,056	₱-	₱64,367,634	₱-	₱98,787,952	₱2,227,106	(₱1,768,342)	(₱1,553,703)	₱4,181	₱195,228,884
Total comprehensive income (loss) for the year	-	-	-	-	10,091,632	-	524,543	(303,868)	7,599	10,319,906
Cash dividends (Note 25)	-	-	-	-	(3,316,406)	-	-	-	-	(3,316,406)
Reversal of appropriations during the year – net (Note 25)	-	-	-	-	561,203	(561,203)	-	-	-	-
Balances as at December 31, 2025	₱33,164,056	₱-	₱64,367,634	₱-	₱106,124,381	₱ 1,665,903	(₱1,243,799)	(₱1,857,571)	₱11,780	₱202,232,384
Balances as at January 1, 2024	₱23,537,746	(₱2,097)	₱57,769,376	₱6,355,129	₱89,032,606	₱2,142,570	(₱2,196,947)	(₱1,566,266)	₱16,191	₱175,088,308
Total comprehensive income (loss) for the year	-	-	-	-	12,232,431	-	428,605	12,563	(12,010)	12,661,589
Issuance of new shares (Note 25)	3,271,181	-	6,671,910	-	-	-	-	-	-	9,943,091
Cash dividends (Note 25)	-	-	-	-	(2,391,408)	-	-	-	-	(2,391,408)
Stock dividends (Note 25)	6,355,129	-	(73,652)	(6,355,129)	-	-	-	-	-	(73,652)
Sale of treasury stock (Note 25)	-	2,097	-	-	(1,141)	-	-	-	-	956
Appropriations during the year – net (Note 25)	-	-	-	-	(84,536)	84,536	-	-	-	-
Balances as at December 31, 2024	₱33,164,056	₱-	₱64,367,634	₱-	₱98,787,952	₱2,227,106	(₱1,768,342)	(₱1,553,703)	₱4,181	₱195,228,884
Balances as at January 1, 2023,	₱21,421,068	₱-	₱47,949,927	₱-	₱91,379,317	₱2,030,080	(₱14,059,469)	(₱1,166,234)	₱37,182	₱147,591,871
Total comprehensive income (loss) for the year	-	-	-	-	8,828,457	-	11,862,522	(400,032)	(20,991)	20,269,956
Issuance of new shares (Note 25)	2,116,678	-	9,869,950	-	-	-	-	-	-	11,986,628
Purchase of treasury stock (Note 25)	-	(2,097)	-	-	-	-	-	-	-	(2,097)
Stock dividends (Note 25)	-	-	(50,501)	6,355,129	(6,355,129)	-	-	-	-	(50,501)
Cash dividends (Note 25)	-	-	-	-	(4,707,549)	-	-	-	-	(4,707,549)
Appropriations during the year – net (Note 25)	-	-	-	-	(112,490)	112,490	-	-	-	-
Balances as at December 31, 2023	₱23,537,746	(₱2,097)	₱57,769,376	₱6,355,129	₱89,032,606	₱2,142,570	(₱2,196,947)	(₱1,566,266)	₱16,191	₱175,088,308

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	₱14,198,538	₱15,683,223	₱11,848,780	₱13,700,604	₱15,920,882	₱10,353,806
Adjustments for:						
Provision for credit losses (Note 20)	21,156,462	17,908,122	12,916,888	14,716,228	11,565,026	9,944,087
Depreciation and amortization (Note 16)	4,499,319	3,467,331	3,277,968	3,309,098	2,604,566	2,408,164
Gains on foreclosure of investment properties (Notes 17 and 18)	(877,201)	(1,203,292)	(751,936)	(816,349)	(1,170,914)	(679,745)
Amortization of premium and discount of financial assets and liabilities	1,228,425	1,171,399	1,129,034	1,108,549	1,158,877	1,121,507
Unrealized foreign exchange losses (gains) - net	(445,085)	(962,916)	786,431	(671,631)	(976,261)	781,304
Gains on sale of investment properties, property and equipment, and other assets (Notes 16, 17, 19 and 28)	(633,055)	(521,421)	(1,026,933)	(595,111)	(612,000)	(1,110,755)
Gains on sale of investment securities at FVOCI (Note 13)	(592,699)	(192,694)	(416,510)	(592,699)	(192,694)	(416,510)
Provision for (reversal of) impairment on investment properties (Note 17)	98,302	(3,547)	(751)	82,272	(1,909)	(787)
Share in equity loss (income) (Note 15)						
Excess of fair value over cost of acquisition of an associate	(590,918)	–	(22,702)	(590,918)	–	–
Share in net loss (profit) of subsidiaries and associates (Note 28)	(61,661)	1,920	22,355	3,192,621	633,126	(2,837,072)
Gain on deemed disposal of a subsidiary (Note 1)	–	–	–	–	(373,128)	–
Gain from early termination of lease	(2,062)	–	–	(2,062)	–	–
Changes in operating assets and liabilities:						
Decreases (increases) in:						
Loans and other receivables	(36,043,671)	(15,592,825)	(58,189,280)	(26,363,496)	(7,198,419)	(26,653,542)
Trading securities at FVTPL	(13,801,012)	(4,484,799)	2,847,800	(13,810,490)	(4,347,157)	2,906,311
Other resources	(3,122,083)	(5,612,917)	(6,684,216)	(1,889,170)	(3,245,614)	(4,013,975)
Increases (decreases) in:						
Deposit liabilities	57,710,992	(36,245,612)	4,264,466	47,665,051	(25,073,503)	(23,365,639)
Other liabilities	2,303,262	7,208,355	9,114,503	531,742	6,490,226	6,591,297
Net cash generated from (used in) operations	45,025,853	(19,379,673)	(20,884,103)	38,974,239	(4,818,896)	(24,971,549)
Income taxes paid	(4,860,180)	(4,281,142)	(4,860,628)	(3,935,439)	(3,405,997)	(3,223,021)
Net cash provided by (used in) operating activities	40,165,673	(23,660,815)	(25,744,731)	35,038,800	(8,224,893)	(28,194,570)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI	(76,591,079)	(16,964,897)	(25,052,262)	(76,591,080)	(16,950,000)	(25,026,221)
Investment securities at amortized cost	(13,582,792)	(10,828,446)	(13,554,953)	(13,282,792)	(9,805,300)	(13,519,953)
Bank premises, furniture, fixtures and equipment (Note 16)	(1,462,945)	(1,647,001)	(2,283,303)	(1,242,205)	(1,385,122)	(2,000,248)
Other resources (Note 19)	(1,241,759)	(3,177,636)	(5,779,807)	(704,309)	(2,858,608)	(5,458,734)
Investments in subsidiaries and associates (Notes 1 and 15)	(300,000)	–	–	(3,649,995)	(2,751,681)	(1,547,298)
Proceeds from maturities/sale of:						
Investment securities at FVOCI	77,766,979	14,830,492	19,524,353	77,766,979	14,830,492	19,478,530
Investment securities at amortized cost	29,367,693	5,420,334	2,800,379	29,347,693	5,284,883	2,690,328
Investment properties (Note 17)	257,251	534,628	631,815	256,570	534,628	626,621
Bank premises, furniture, fixtures and equipment (Note 16)	91,411	75,585	113,651	60,390	36,119	101,896
Investments in subsidiaries/associates (Note 15)	300,000	–	86,068	300,502	–	–
Dividends received from subsidiaries	–	–	–	342,523	1,075,000	129,000
Acquisition of business, net of cash acquired (Notes 1 and 15)	–	–	(3,259,683)	–	–	(3,252,782)
Net cash provided by (used in) investing activities	14,604,759	(11,756,941)	(26,773,742)	12,604,276	(11,989,589)	(27,778,861)

(Forward)



	Group			Parent Bank		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of:						
Bills payable	(P644,401,657)	(P975,385,462)	(P1,291,332,050)	(P625,790,990)	(P954,030,713)	(P1,268,901,574)
Notes and bonds payable	(40,037,270)	(5,658,904)	(21,616,552)	(34,744,953)	–	(19,115,000)
Cash dividends (Note 25)	(3,316,406)	(2,391,408)	(4,707,549)	(3,316,406)	(2,391,408)	(4,707,549)
Lease liabilities (Note 24)	(739,622)	(724,806)	(633,871)	(564,150)	(552,358)	(524,291)
Dividends of subsidiaries to NCI	(130,006)	(60,698)	(115,899)	–	–	–
LTNCD	–	–	(3,000,000)	–	–	(3,000,000)
Acquisition of NCI's share in a subsidiary	–	–	(230,227)	–	–	–
Buy-back of treasury shares	–	–	(2,097)	–	–	(2,097)
Proceeds from:						
Bills payable	613,139,628	979,986,263	1,313,421,732	599,129,628	957,473,570	1,289,600,128
Notes and bonds payable (Note 23)	21,350,886	11,482,520	20,500,543	15,848,288	–	18,005,196
Issuance of new shares, net of issuance costs (Note 25)	–	9,869,439	11,936,127	–	9,869,439	11,936,127
Proceeds from subscription of shares of a subsidiary by the non-controlling interest (Note 1)	–	555,268	–	–	–	–
Sale of treasury shares	–	2,024	–	–	956	–
Net cash provided (used in) by financing activities	(54,134,447)	17,674,236	24,220,157	(49,438,583)	10,369,486	23,290,940
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES						
	9,368	46,161	(240,224)	7,767	39,968	(122,089)
NET DECREASE IN CASH AND CASH EQUIVALENTS						
	645,353	(17,697,359)	(28,538,540)	(1,787,740)	(9,805,030)	(32,804,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR						
Cash and other cash items	10,143,777	10,439,112	9,891,536	9,270,243	9,350,898	8,924,249
Due from Bangko Sentral ng Pilipinas (BSP)	82,146,575	82,643,663	94,610,308	49,212,089	63,883,124	66,588,121
Due from other banks	33,890,538	27,263,347	46,239,964	31,139,779	23,188,033	42,263,529
Interbank loans receivable and securities purchased under reverse repurchase agreement (SPURRA)	1,878,992	25,411,119	23,553,973	178,992	3,184,078	14,634,811
	128,059,882	145,757,241	174,295,781	89,801,103	99,606,133	132,410,710
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	11,419,221	10,143,777	10,439,112	10,359,243	9,270,243	9,350,898
Due from BSP	40,810,142	82,146,575	82,643,663	33,273,256	49,212,089	63,883,124
Due from other banks	35,315,210	33,890,538	27,263,347	34,165,202	31,139,779	23,188,033
Interbank loans receivable and SPURRA	41,160,662	1,878,992	25,411,119	10,215,662	178,992	3,184,078
	P128,705,235	P128,059,882	P145,757,241	P88,013,363	P89,801,103	P99,606,133
OPERATIONAL CASH FLOWS FROM INTERESTS AND DIVIDENDS						
Interest received	P88,961,271	P85,600,470	P77,075,696	P63,915,092	P61,232,614	P54,692,669
Interest paid	20,563,041	26,375,644	24,915,594	11,619,949	17,072,662	16,913,293
Dividends received	5,909	9,687	3,617	5,909	8,267	2,768

See accompanying Notes to Financial Statements.



UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Incorporation and Operations

Union Bank of the Philippines (the Bank, UnionBank or the Parent Bank) was incorporated in the Philippines on August 16, 1968 and operates as a universal bank through its universal banking license acquired in July 1992.

The Bank provides expanded commercial banking products and services such as loans and deposits, cash management, retail banking, foreign exchange, capital markets, corporate and consumer finance, investment management and trust banking. As of December 31, 2025, the Bank and its subsidiaries (collectively referred to as the “Group”) has 388 branches and 428 on-site and 174 off-site automated teller machines (ATMs), located nationwide.

The Bank’s common shares are listed in the Philippine Stock Exchange (PSE). The Bank is effectively 49.99% owned by Aboitiz Equity Ventures, Inc. (AEVI), a company incorporated and domiciled in the Philippines. AEVI is the holding and management company of the Aboitiz Group of Companies.

The Bank’s subsidiaries are all incorporated in the Philippines, except for UBX SG and UBX Remit, and the Bank’s effective percentage of ownership and the nature of the subsidiaries’ businesses as of December 31, 2025 and 2024 are as follows:

Name of Subsidiary	Percentage of ownership		Nature of Business
	2025	2024	
City Savings Bank, Inc. (CSB)	99.80%	99.79%	Thrift bank
PetNet, Inc. (PETNET) ^(a)	51.00%	51.00%	Foreign currency trader and remittance business
UBP Investments Corporation (UIC)	100.00%	100.00%	Holding company
First Union Plans, Inc. (FUPI) ^(b)	100.00%	100.00%	Pre-need
First Union Direct Corporation (FUDC) ^{(b) (h)}	–	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) ^{(b) (c)}	100.00%	100.00%	Agent for insurance and financial products
UBP Securities, Inc. (UBPSI) ^(b)	100.00%	100.00%	Securities brokerage
Interventure Capital Corporation (IVCC) ^(b)	60.00%	60.00%	Venture capital
UBX Philippines Corporation (UBX)	83.33%	83.33%	Investment holding and innovation company
UBX Private Limited (UBX SG) ^(d)	83.33%	83.33%	Holding company
UBX Remit Pte Ltd. (UBX Remit) ^(e)	83.33%	83.33%	Remittance company
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) ^(f)	97.75%	97.75%	Private development bank
UnionDigital Bank, Inc. (UnionDigital)	100.00%	100.00%	Digital bank
Unionbank Financial Services and Insurance Brokerage Philippines, Inc. (UFSI)	100.00%	100.00%	Insurance and securities brokerage
Unionbank Investment Management and Trust Corporation (UBIMTC) ^(g)	–	100.00%	Trust and other fiduciary business

(a) Subsidiary through CSB and UIC, with 40% and 11% share in ownership, respectively
(b) Non-operating subsidiaries
(c) Wholly-owned subsidiary through UIC
(d) Wholly-owned subsidiary of UBX
(e) Wholly-owned subsidiary of UBX SG
(f) 24.96% owned by the Parent Bank; 49% and 23.79% owned through CSB and UIC, respectively
(g) On May 8, 2025, the Parent Bank sold its 100% ownership in UBIMTC to ATR Asset Management, Inc. (AAMI)
(h) On June 5, 2025, the SEC approved FUDC’s application for dissolution



Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

- (a) On November 7, 2024, the BOD of the Parent Bank approved the acquisition of ATR Asset Management, Inc. (AAMI) shareholdings and sale of its shareholdings in UBIMTC. On November 8, 2024, the Parent Bank and AAMI entered into an investment agreement for UBP's acquisition of a 27.5% shareholding in AAMI and a share purchase agreement for the sale of 100% of UBP's shareholding in UBIMTC to AAMI. The acquired ownership interest in AAMI is accounted for as an investment in associate in the statement of financial position (see Note 15).

In May 2025, following BSP's approval of the transactions in April 2025, the Parent Bank paid ₱300.0 million to ATR KimEng AMG Holdings, Inc. and AAMI. This was funded by the proceeds from the sale of the Parent Bank's ownership interest in UBIMTC of ₱300.0 million.

- (b) CSB was incorporated and registered with the SEC on December 9, 1965. It is a thrift bank specializing in salary loans, motorcycle loans and pension loans. CSB has 154 branches as of December 31, 2025.

On October 8, 2025, the BOD of the Parent Bank approved the infusion of up to ₱1.5 billion capital to CSB to support its growth and ongoing business operations. Subsequently on November 28, 2025 and December 19, 2025, the Parent Bank infused capital amounting to ₱1.2 billion and ₱300.0 million, respectively.

- (c) PETNET is engaged in the business of remittance and in relation thereto, act as money changer/foreign exchange dealer or engage in the business of buying and/or selling foreign currencies and selling of other services as may be necessary to accomplish the purpose for which PETNET has been established.
- (d) UIC was incorporated and registered with the SEC on December 20, 1993. It is presently engaged in business as a holding company authorized to hold investments of real and personal properties, including shares of stocks, bonds, debentures, notes and other securities and obligations, without engaging in business of an investment company or broker or dealer in securities of stocks.

UIC holds investments of the Group's thrift banks, rural banks and remittance companies.

- (e) UBX operates as a financial technology services firm. It was incorporated to invest in, hold, own, purchase, lease manage, sell or otherwise dispose of real and personal properties of every kind and description. It shall also engage in the development of financial technology innovations and engage in electronic commerce business. UBX SG, a subsidiary of UBX, is incorporated to engage in the development of financial technology innovations and engage in electronic commerce business.

On September 27, 2024, UBX issued 8.0 million shares to a third party for a 16.67% ownership interest at USD10.0 million (or ₱558.00 million). This resulted in a decrease in the Parent Bank's ownership interest in UBX to 83.33%. The reduction in the Parent Bank's ownership interest in UBX resulted in the recognition of other equity reserves of ₱372.16 million in the Group's statement of financial position and Gain on deemed disposal of ₱373.13 million presented as part of Miscellaneous income in the Parent Bank's statement of income, where the amounts represent the difference between the Parent Bank's "deemed



share” in the proceeds from issuance of UBX shares and the carrying amount of the equity interest “deemed disposed” in UBX.

- (f) Bangko Kabayan is authorized to engage in the business of extending financial services to farmers, entrepreneurs, commercial, manufacturing and industrial enterprises and to such other persons or entities that require financial intermediation, and to have and to exercise all authority and powers, and to do and perform all acts, and to transact all business which may legally be done by thrift banks organized under and in accordance with the existing New Thrift Banks Act of 1995 (Republic Act No. 7906).

Bangko Kabayan has 35 branches and three (3) branch lites as of December 31, 2025.

- (g) UnionDigital was organized to engage in, and carry on, the general business of a digital bank, including such other expanded services as may be approved by the Monetary Board (MB) of the BSP such as creating, developing, owning, maintaining, distributing, and marketing a digital platform that allows the bank to offer digital services, and issues mortgage and chattel mortgage certificates, buys and sells them or accept them in to such terms and conditions as may be prescribed by the MB of BSP.

On September 23, 2024 and February 28, 2025, the BOD of the Parent Bank approved the infusion of additional capital of up to ₱1.6 billion and another up to ₱1.2 billion, respectively, in UnionDigital to support its ongoing business operations and enable it to deliver sustainable growth.

Pursuant to the aforementioned approvals, on September 30, 2024 and January 31, 2025, the Parent Bank infused capital totaling ₱1.6 billion and on June 30, 2025, August 29, 2025, September 15, 2025, and October 27, 2025, the Parent Bank infused capital totaling ₱1.2 billion.

As of December 31, 2025 and 2024, the Parent Bank’s total equity investment in UnionDigital amounted to ₱8.5 billion and ₱6.7 billion, respectively.

Non-operating subsidiaries

- (a) The BOD of FUPI and the stockholders, on May 9, 2025 and August 7, 2025, respectively, approved the dissolution of the company by way of an amendment to its Articles of Incorporation (AOI) through shortening its corporate term until December 31, 2025. The Insurance Commission favorably endorsed said dissolution on November 7, 2025. On December 10, 2025, the SEC approved the said dissolution. As of December 31, 2025, the other business closure applications with the other government agencies are ongoing.
- (b) The BOD of FUDC authorized to temporarily suspend its business operations effective June 1, 2022 and until such time that management, with the approval of the BOD of FUDC, deems it appropriate to resume operations. The BOD of FUDC, in its special meeting on July 5, 2024, approved the cessation of business effective December 31, 2024. On November 6, 2024, the BIR issued the tax clearance for the cessation of business of FUDC.

Accordingly, on June 5, 2025, the SEC approved and issued the certificate of its amended articles of incorporation pertaining to Article IV shortening the term of its existence thereby dissolving the corporation.



- (c) On July 15, 2025, the BOD of FUIFAI approved to suspend and cease its business operations effective August 31, 2025. Pursuant to said cessation, the BOD likewise approved on July 15, 2025 the dissolution of FUIFAI which will be done by way of an amendment of its Amended Articles of Incorporation through shortening its corporate term until May 31, 2026.
- (d) UBPSI was incorporated and registered with the SEC on March 2, 1993. It was organized to engage in the business of buying, selling or dealing in stocks and other securities. In January 1995, as approved by UBPSI's stockholders and BOD, UBPSI sold its stock exchange seat in the PSE. Accordingly, UBPSI ceased its stock brokerage activities.
- (e) IVCC was incorporated and registered with the SEC on October 10, 1980. It was organized to develop, promote, aid and assist financially any small or medium scale enterprises and to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law. IVCC has ceased operations since 1992.

The total assets, liabilities and capital funds of these non-operating subsidiaries amounted to ₱5.38 million, ₱3.16 million, and ₱2.21 million, respectively, as of December 31, 2025 and ₱9.12 million, ₱3.18 million, and ₱5.94 million, respectively, as of December 31, 2024.

The Bank's registered address, which is also its principal place of business, is at UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City. AEVI's registered address is located at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

Approval of Financial Statements

The consolidated financial statements of UnionBank and Subsidiaries (the Group) and the financial statements of the Parent Bank as of December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 were authorized for issue by the Bank's BOD on February 27, 2026.



2. Material Accounting Policy Information

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

Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are adopted by the Financial Reporting Standards Council (FRSC) 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 resource, liability, income and expense.

The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS 1), *Presentation of Financial Statements*. The Group presents statement of comprehensive income separate from the statement of income.

(c) Functional and Presentation Currency

The financial statements of the Group and the Parent Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDCU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDCU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation).

The financial statements of these units are combined after eliminating inter-unit accounts. These are presented in Philippine pesos, and all values are presented in thousands of Philippine Pesos except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

Adoption of New and Amended PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except that the Bank has adopted the following new accounting pronouncements starting January 1, 2025. Adoption of these pronouncements did not have any significant impact on the Bank's financial position or performance unless otherwise indicated.

- Amendments to PAS 21, *Lack of Exchangeability*



Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated and parent bank financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards-Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Basis of Consolidated Financial Statements

The Group's financial statements comprise the accounts of the Parent Bank and its subsidiaries, as enumerated in Note 1 and as disclosed under Note 15, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, and expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in the separate financial statements are also eliminated in full. Intercompany losses that indicate impairment are recognized in the Group's financial statements.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Bank using consistent accounting policies.

Non-controlling Interests

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

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in capital funds and presented in "Other reserves". Disposals of equity investments to non-



controlling interests may result in gains and losses for the Group that are also recognized in capital funds and presented in “Other reserves”.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related resources or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Investment in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity, it is exposed, or has rights to, variable returns from its involvement with the entity, and it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

In the Parent Bank’s separate financial statements, investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method (see Note 15).

All subsequent changes to the share in the equity of the subsidiaries are recognized in the carrying amount of the Parent Bank’s investment. Changes resulting from the profit or loss generated by the subsidiaries are reported as Share in net profit of subsidiaries under Miscellaneous income account in the Parent Bank’s separate statement of income.

Changes resulting from other comprehensive income of the subsidiaries are recognized in other comprehensive income of the Parent Bank. Any distributions received from the subsidiaries (e.g., dividends) are recognized as reduction in the carrying amount of investment in subsidiaries. However, when the Parent Bank’s share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Parent Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the subsidiary. If the subsidiary subsequently reports profits, the Parent Bank recognizes its share on those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing the Parent Bank’s share in net profit or loss of subsidiaries, unrealized gains or losses on transactions between the Parent Bank and its subsidiaries are eliminated to the extent of the Parent Bank’s interest in the subsidiaries. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a group perspective.

When there is reduction in the Parent Bank’s interest in a subsidiary without loss of control and other than by actual disposal, the “deemed disposal” gives rise to “dilution” gain or loss recognized in the Parent Bank’s statement of income, including the amounts reclassified from other comprehensive income.

The Parent Bank holds interests in various subsidiaries as presented in Notes 1 and 15.



Investment in Associates

Associates pertain to all entities over which the Group and the Parent Bank have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Business Combinations and Goodwill

Business acquisitions are accounted for using the acquisition method of accounting. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in the statement of income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed.

Gain on bargain purchase which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to profit.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the statement of income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in the statement of income or as a charge to other comprehensive income. Contingent consideration that is classified as capital funds is not remeasured, and its subsequent settlement is accounted for within capital funds.



Fair Value Measurement

The Group measures financial instruments such as financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. The fair value measurement of a nonfinancial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 7, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial-assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.



Initial measurement of financial instruments

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

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured either at amortized cost, at FVOCI or at FVTPL.

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

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



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

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

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

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

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

The Group's measurement categories are described below:

Financial Assets at Amortized Cost

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the statement of financial position as Due from BSP, Due from other banks, Interbank loans receivable, SPURRA, Financial assets at amortized cost under Trading and investment securities, Loans and other receivables and certain accounts under Other resources.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including Cash and other cash items, non-restricted balances of Due from BSP, Due from other banks, Interbank loans receivable and SPURRA. These generally include cash on hand, demand deposits and short-



term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial Assets at FVTPL

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in the statement of income. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in Gains (losses) on trading and investment securities at FVTPL and FVOCI - debt instruments in the statement of income.

Interest earned on these investments is reported in the statement of income under Interest income account while dividend income is reported in the statement of income under Miscellaneous income account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Equity financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in Net unrealized fair value gains (losses) on investment securities in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on investment securities account is not reclassified to profit or loss, but is reclassified directly to Surplus free account.

Any dividends earned on holding these equity instruments are recognized in the statement of income under Miscellaneous income account.



Financial Assets at FVOCI - Debt Instruments

The Group classifies debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. The Expected Credit Loss (ECL) calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the statement of income.

Reclassification of financial assets

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

The Group recognizes the allowance for expected credit losses for all loans and other debt financial assets carried at amortized cost, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

ECL represent possible credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The Group has established a policy to perform an assessment, at the end of each reporting period, of 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.



For non-credit-impaired financial instruments:

- Stage 1 consists of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group and the Parent Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 consists of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group and the Parent Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments. For financial instruments classified as Stage 3, the Group estimates ECL based on the present value of expected future cash flows, including recoveries from collateral and restructuring. Significant judgment is applied in estimating the timing and amount of recoveries, collateral values, and discount rates. The impairment allowance reflects management's best estimate of credit losses, regularly reviewed and updated to reflect changes in borrower creditworthiness and economic conditions.

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes more than 90 days past due on its contractual payments. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e., consecutive payments from the borrowers for 180 days).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. All exposures are therefore provided with ECLs, in the context of SICR status.



ECL is a function of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts that may be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

(c) Derecognition of Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.



When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI). Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

Derivative Financial Instruments

The Group is a counterparty to derivatives contracts, such as forwards, swaps and warrants. These contracts are entered into as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as those of its customers.

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as resources when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument. When such evidence exists, which indicates a fair value different from the transaction price, the Group recognizes a gain or loss at initial recognition.

Changes in the fair value of derivatives are recognized in the statement of income.

Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, notes and bonds payable, and other liabilities (except tax-related payables, pre-need reserves and post-employment defined benefit obligation) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of income under Interest expense.

Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

Bills payable and Notes and bonds payable are recognized initially at fair value, which is the issue proceeds (fair value of consideration received) less any issuance costs. These are subsequently measured at amortized cost; any difference between the proceeds net of transaction



costs and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Derivative liabilities, which are included as part of Other Liabilities, are recognized initially and subsequently measured at fair value with changes in fair value recognized in the statement of income.

Other liabilities, apart from derivative liabilities, are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments

Financial resources and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization, and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

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

Buildings	25 - 50 years
Furniture, fixtures and equipment	5 - 10 years

Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements of five to ten years, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.



The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

The Group classifies right-of-use (ROU) assets as part of property and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include parcels of land and buildings and related improvements acquired by the Group from defaulting borrowers.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is initially measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under Investment properties from foreclosure date. Gain or loss from foreclosure is included as part of Gain or loss on foreclosure account under Miscellaneous income section of the statement of income.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and amortization and impairment. Depreciation is computed using the straight-line method over the useful life of 50 years and 10 years for building held for lease and other foreclosed properties, respectively. Land is carried at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs and real estate taxes, are normally charged against income in the period in which costs are incurred.



Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

Intangible assets include goodwill, acquired and internally developed computer software and customer relationships and core deposits acquired from business combination. Goodwill represents the excess of the acquisition cost over the fair value of the net identifiable assets arising from the acquisition of a business. Goodwill has indefinite useful life and, thus, not subject to amortization but requires an annual test for impairment. Goodwill is subsequently carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill sometimes cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to groups of cash-generating units. As a result, the lowest level within the Group at which goodwill is monitored for internal management purposes sometimes comprises a number of cash-generating units. The Group's cash-generating unit represents major business segments of the Parent Bank and the subsidiaries of the Group.

Computer software used in administration is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Computer software are capitalized on the basis of the costs incurred to acquire, develop, and install the specific software, and are amortized on a straight-line basis over the expected useful lives ranging from five to ten years, as the lives of these intangible assets are considered finite. Costs associated with maintaining computer software are expensed as incurred.

Customer relationships and core deposits acquired from business combination are recognized at their acquisition date fair values, and are amortized on a straight-line basis over the expected useful lives ranging from 10 to 14 years. These costs are recognized as part of Depreciation and amortization in the statement of income.

Intangible assets are subject to impairment testing.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the statement of income.

Other Resources

Other resources pertain to resources controlled by the Group as a result of past events. These are recognized in the financial statements only if recognition of that asset and of any resulting income or expenses is a faithful representation of the resources and provides relevant information about the resources.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position under 'Bills payable' and is considered as a loan to the Group, reflecting the economic substance of such transaction. For purposes of business model assessment, the Group considers the economic



substance of the transaction when analyzing whether sales within a portfolio provide evidence related to how cash flows are realized.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURRA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

Capital Funds

Common stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of common stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Surplus free includes all current and prior period results as reported in the statement of income and which are available and not restricted for use by the Group, reduced by the amounts of dividend declared, if any.

Surplus reserves pertains to the difference of the 1% required General Loan Loss Provision on Stage 1 on-balance sheet loans over the computed allowance for credit losses on Stage 1 accounts as required by the BSP Circular No. 1011 - *Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments*.

Net unrealized fair value gains (losses) on investment securities pertains to cumulative mark-to-market valuation of financial assets at FVOCI.



Remeasurements of defined benefit plan refer to accumulated actuarial losses, net of gains, as a result of remeasurements of post-employment defined benefit plan and return on plan assets (excluding amount included in net interest).

Other reserves comprise of exchange differences arising from the translation of the Parent Bank's Foreign Currency Deposit Unit (FCDU) operations and UBX SG, which is taken to the statement of comprehensive income, and the impact of equity transactions within the Group (see policy on "Non-controlling Interests").

Non-controlling interests represent the portion of the net resources and profit or loss not attributable to the Group which are presented separately in the Group's statement of income and within the capital funds in the Group's statements of financial position and changes in capital funds.

Revenue Recognition

Revenues within the scope of PFRS 15, Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The following specific recognition criteria of income must also be met before income is recognized:

(a) Service charges, fees and commissions:

Service charges, fees and commissions are generally recognized when the service has been provided.

Loan commitment fees. These are earned as services are provided, recognized as other income on a time proportion basis over the commitment period.

Income under a loyalty points programme. The Group has a loyalty points programme as part of its credit cards business which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the interchange fee is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

Interchange fees. These are recognized as income upon presentation by member establishments of charges arising from credit card availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

Commissions earned on credit cards. These are recognized as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Commission from bancassurance. Exclusive access fee (EAF) related to the bancassurance partnership is recognized on a straight-line basis as the service is rendered.



(b) *Miscellaneous* income includes the following accounts:

Gain (loss) from assets sold or exchanged. The profit or loss from assets sold or exchanged is recognized when the control of the assets is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured.

Rental. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

Income from bancassurance business. Exclusive access fee (EAF) related to the bancassurance partnership is recognized as revenue on a straight-line bases as the service is rendered.

Income from trust operations. Trust fees related to investment funds are recognized in reference to the net asset value of the funds. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Revenues outside the scope of PFRS 15

(a) *Interest income recognized using the effective interest rate method* - Interest income is recognized in the statement of income for all instruments measured at amortized cost and debt instruments classified as financial assets at FVOCI using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For credit card receivables, purchases by the credit cardholders, collectible on installment basis, are recorded at the cost of the items purchased. Interest income is recognized on every term of installment billed to the cardholders and computed using the effective interest method.

(b) *Other interest income* - Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate and is included under Interest Income on financial assets at fair value through profit or loss.

(c) *Gain (loss) on trading and investment securities* - Gain (loss) on trading and investment securities is recognized when the contractual rights on the securities is transferred to the buyer (at an amount equal to the difference of the selling price and the carrying amount of securities) and as a result of the mark-to market valuation of outstanding securities classified as FVTPL at year-end.

(d) *Dividend* - Dividend income, presented under “Miscellaneous income” is recognized when the Group’s right to receive payment is established.



Expense Recognition

Expenses are recognized in the statement of income upon utilization of the resources or services or at the date these are incurred. All finance costs are reported on an accrual basis.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as Lessee accounts for its leases as follows:

Group as Lessor

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the statement of income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest recognized under Interest expense of bills payable and other liabilities and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the



lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases for some branches and the related parking spaces, stalls used for specific events and several office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM offsite locations, signages and several items of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term as is recognized as part of 'Occupancy' in the statement of income.

Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos except for the FCDU of the Parent Bank which are maintained in United States (U.S.) dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the Philippine Dealing System closing rates (PDSCR) prevailing at the end of the period (for resources and liabilities) and at the average PDSCR for the period (for income and expenses).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Changes in the fair value of monetary financial assets denominated in foreign currency are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in the statement of income, and other changes in the carrying amount are recognized in other comprehensive income.

Impairment of Non-financial Assets

The Group's intangible assets (consisting of computer software, customer relationship and core deposits recorded as part of Other resources and goodwill), bank premises, furniture, fixtures and equipment, investment properties, investments in subsidiaries (for Parent Bank only) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill, 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.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in the statement of income for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest



approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss, except for goodwill.

Employee Benefits

The Group's employment benefits to employees are as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan (included as part of Other Liabilities) is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows arising from expected benefit payments using a discount rate derived from the interest rates of a zero-coupon government bond as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is included as part of Interest expense or Interest income in the statement of income.

Past-service costs are recognized immediately in the statement of income in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.



(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Profit-Sharing and Bonus Plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Parent Bank's shareholders, as indicated in the statement of income, after certain regulatory adjustments. The Group recognizes a provision where it is contractually obliged to pay the bonus plans. The Group also recognizes a provision for profit-sharing and bonus plans where there is a past practice that has created a constructive obligation, whether paid in cash or in the form of shares of the Parent Bank to be issued under the Employee Stock Plan.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting date.

They are included as part of Accrued taxes and other expenses under the Other liabilities account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Income Taxes

Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in capital funds, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.



The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in capital funds. In this case, the tax is also recognized in other comprehensive income or directly in capital funds, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

Related Party Relationships and Transactions

Related party transactions are transactions or dealings with related parties, regardless of whether a price is charged. These covers all types of transactions both on and off-balance sheet and regardless of which side of the transaction/deal of the bank is acting.

Parties are said to be related if one has direct or indirect control as well as significant influence over the other. Related Parties of the Bank include, but is not limited to: (a) DOSRI, subsidiaries, affiliates, and any party that directly or indirectly has control over or is subjected to the control of the Bank as well as those with direct and indirect linkages to it, (b) the Bank's and its affiliated companies' directors, officers, stockholders, and their related interests and close family members, and (c) other persons and juridical entities whose interests may pose potential conflict with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Earnings Per Share

Basic earnings per share are determined by dividing the net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, after retroactive effect to any stock dividends declared in the current year.

Diluted earnings per common share are also computed by dividing net profit by the weighted average number of common shares subscribed and outstanding at the end of the reporting period, after making adjustments to reflect the effects of any potentially dilutive preferred shares, stock options and warrants.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services as disclosed in Note 6, which represent the main products and services provided by the Group.



Each of these operating segments is managed separately as each of these services require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a particular segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group's operations are organized according to the nature of the products and services provided. Financial information on business segments is presented in Note 6.

Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. Summary of Accounting Judgments and Estimates

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

Unless otherwise stated, below significant judgments and estimates apply as of December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025.

Critical Management Judgments in Applying Accounting Policies

In the process of applying the 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:

Evaluation of business model in managing financial instruments

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



In determining the classification of a financial instrument under PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The 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 the Group.

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

Testing the cash flow characteristics of financial assets

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

In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.



Key Sources of Estimation Uncertainty

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

Estimation of impairment losses on Loans and other receivables, Financial assets at amortized cost and Financial assets at FVOCI

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

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Significant factors affecting the estimates on the ECL model include:

- The Group's internal rating system, which assigns PD to individual grades. Qualitative assessments were also considered during risk rating to account for other relevant potential drivers of credit risk.
- The Group's criteria for assessing if there has been a SICR which is the basis for measuring allowances for financial assets on a Lifetime Expected Credit Loss (LTECL) basis. There are also qualitative assessments to consider significant increase in credit risk based on the identified risk profiles of their accounts and portfolios. The Parent Bank updated the stage assessment to include enhancements on the factors considered in the movements in the borrower's credit rating when determining the significant increase in credit risk, which include rating threshold triggers.
- The Group's definition of default. The Bank considers the regulatory requirement and the Bank's indicators of loss events.
- Development of ECL models, including the various formulas and the choice of inputs. Models have been developed, reviewed and/or revised as appropriate based on latest reviews, economic outlook and studies from external sources. The provisioning methodology for Wholesale Stage 3 accounts are also enhanced to consider specific factors affecting its recoverability which includes the expected life of the financial asset, expected recoveries and impact of credit enhancements extended by any party.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels, level of government spending, and collateral values, and their effect on ECL calculation. As the economy progresses, analyses and forecasts were continuously reviewed and updated as needed. The quantitative overlays were complemented by experience-based expert judgment inputs through management overlays considered integral to the systematic process.

The carrying amount of loans and other receivables and the related allowance are disclosed in Notes 14 and 20, while the carrying amount of debt financial assets classified under amortized cost and fair value through other comprehensive income and the related allowances are disclosed in Notes 12, 13 and 20.



Fair value of derivatives

Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active markets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of derivatives as of December 31, 2025 and 2024 are presented and grouped into the fair value hierarchy in Note 7.

Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The carrying value of recognized deferred tax assets is disclosed in Note 30.

Change in segment reporting

The Group's Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments. Interest income is reported net as management primarily relies on net interest revenue as a performance along with the gross income and expense. Transfer prices between operating segments are based on the Bank's internal pricing framework.

As a result of a change in internal reporting, entities may change individual elements of their segment reporting. When an entity changes any of its segment measures, including the definition of segment profit, or changes the allocation of income, expenses, assets or liabilities to segments, without a change to the composition of its reportable segments, the general principles of PAS 1 for changes in presentation or classification of items apply. Therefore, comparative information would be restated, unless this is impracticable.

As discussed in Note 6, the Group changed its segment approach to better reflect the underlying business dynamics and enhance clarity in the Group's segment performance measurement. Retail Banking Center (RBC) deposit products are now allocated across Consumer Banking and Institutional Banking, based on their respective sub-product segments: Retail Personal and SME under Consumer Banking, and Retail Commercial and Retail Corporate under Institutional Banking.



The change in reporting structure altered the composition of CGUs associated with the goodwill, requiring the goodwill to be reallocated in accordance with PAS 36. The reallocation was performed based on the allocation approach that estimates the expected economic benefits from the reconstituted CGUs. Please refer to Note 18 for details.

Impairment of goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount of the related CGU is insufficient to support its carrying value. The Group determines the recoverable value of the CGU to which goodwill is allocated by discounting the estimated free cash flows using the weighted-average cost of capital (WACC) as the discount rate. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. Financial budget for the immediately succeeding year is approved by senior management and BOD of the Parent Bank, while the financial budgets for the other years of cash flow projections are determined by corporate planning group and the relevant business units.

The discount rates used for the computation of the value in use for various CGUs (see Note 18) are based on the pre-tax discount rates ranging from 15.2% to 54.3% and from 22.0% to 48.8% as of December 31, 2025 and 2024, respectively. The long-term growth rates used are 4.5% to 5.4% as of December 31, 2025 and 5.8% as of December 31, 2024. The CGUs to which the goodwill is allocated and related carrying values of the goodwill are disclosed in Note 18.

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The carrying amount of goodwill is disclosed in Note 18.

Valuation of post-employment and other benefits

The determination of the Group's obligation and cost of pension and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rates of salary increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

The Group also estimates other employee benefit obligations and expenses, including the cost of paid leaves based on historical leave availments of employees, subject to the Group and the Parent Bank policies. These estimates may vary depending on future changes in salaries and actual experiences during the year.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation, as well as significant assumptions such as salary rate increase, discount rates, and turnover rates used in estimating such obligation are presented in Note 29.



4. Risk Management Objectives and Policies

Risks are inherent in the business activities of the Group. Among its identified top risks are credit risk, operational risk, regulatory compliance risk, interest rate risk on banking book (IRRBB), liquidity risk and market risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management comprises the systematic identification, assessment, measurement, and monitoring of risks across the Group. It provides a consistent and transparent framework for evaluating which risks are accepted or mitigated, in alignment with the risk appetite set by the BOD. This framework supports disciplined risk-taking while allowing business units to pursue sustainable value creation and maximize risk-adjusted returns.

Risk Management Structure

The BOD exercises oversight of the Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Bank has established independent risk management units (RMUs) that objectively review and ensure compliance to the risk appetite and parameters set by the BOD. They are responsible for the monitoring and reporting of risks to senior management and the various Board-level committees of the Bank.

The BOD is primarily responsible for setting the risk appetite, approving risk parameters, risk policies, and investment guidelines, as well as establishing the overall risk taking capacity of the Bank. To fulfil its responsibilities in risk management, the BOD has established the following Committees, whose functions are described below.

- (a) The Executive Committee (EXCOM) is composed of seven (7) members of the BOD. The EXCOM exercises certain functions as delegated by the BOD, including among others, the approval of credit and loan transactions, asset recovery, real and other properties acquired (ROPA) sales, and such other transactions as may be initiated by the Bank units within the EXCOM's delegated limits.
- (b) The Risk Management Committee (RMC) is composed of at least seven (7) members of the BOD, majority of whom are independent directors including the Chairman, who cannot be the chairman of the board or any other board committee. The RMC advises the BOD regarding the Bank's overall current and future risk appetite, oversees Senior Management's adherence to the risk appetite statement, and reports on the state of risk culture of the Parent Bank. The RMC oversees the Bank's risk management framework and the risk management function. The RMC also provides oversight, direction, and guidance to the other risk committees, specifically the Market Risk Committee (MRC) and the Operations Risk Management Committee (ORMC).



- (c) The MRC is composed of nine (9) members of the BOD, majority of whom are independent directors, including the Chairman. The MRC is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.
- (d) The Operational Risk Management Committee (ORMC), composed of at least seven (7) non-executive Board members (including an independent Chair), oversees the Bank's operational risk management. This oversight includes policy review and approval of the Operational Risk Management Framework (a component of the Enterprise Risk Management System), as well as ensuring its implementation across all business and functional units, including insourced, outsourced, and external services. The ORMC's objective is to minimize financial losses, exceed customer expectations, and maintain operational resilience. Furthermore, it fosters a culture of operational risk accountability through a framework emphasizing proactive prevention, root cause analysis, and lessons learned.
- (e) The Audit Committee is composed of seven (7) members, all non-executive and majority of whom are independent, including the Chairman, most of whom are with accounting, auditing, or related financial management expertise or experience. The skills, qualifications, and experience of the committee members are appropriate for them to perform their duties as laid down by the BOD.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Parent Bank's external auditors and the internal audit function. It also oversees the Parent Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

To effectively perform these functions, the Audit Committee obtains a good understanding of the Parent Bank's business, including its structure, controls, and the types of transactions or other financial reporting matters applicable to the Parent Bank, as well as to determine whether the controls are adequate, functioning as designed, and operating effectively. It also considers the potential effects of emerging business risks and their impact on the Parent Bank's financial position and results of operations.

Among the responsibilities of the Audit Committee are:

- *Oversight of the financial reporting process.* The Audit Committee ensures that the Parent Bank has a high-quality reporting process that provides transparent, consistent, and comparable financial statements. In this regard, the Audit Committee works closely with management especially the Office of the Financial Controller, the Internal Audit Group (IAG), as well as the external auditors, to effectively monitor the financial reporting process and resolution of any significant financial reporting issues and concerns.
- *Monitoring and evaluation of internal control.* The Audit Committee requires management to maintain a comprehensive Internal Control Framework. The Audit Committee, through the IAG, monitors and evaluates the adequacy and effectiveness of the internal control framework, the integrity of financial reporting, and security of physical assets, and ensures that a proactive and forward-looking approach to evaluation of risks and controls is taken. The Audit Committee ensures that periodic assessment of the internal control system is conducted to identify weaknesses and evaluates its robustness considering the risk profile and strategic direction of the Parent Bank.



- *Oversight over the Internal Audit Function.* The Audit Committee ensures the independence and effectiveness of the internal audit function by establishing its reporting line to the Audit Committee and approving its charter, audit plans, and allocated resources. It ensures unrestricted access for audit activities, oversees the appointment and remuneration of the Chief Audit Executive, and monitors adherence to audit standards. The Committee also mandates periodic external quality reviews, evaluates governance structures across subsidiaries, and approves group-wide audit strategies to strengthen risk oversight.
- *Conduct of Executive Sessions.* The Audit Committee conducts executive sessions with the Board and the Chief Audit Executive, and separately with external auditors, to discuss matters deemed appropriate for private discussion without the Chief Executive Officer (CEO) or other members of management present. These sessions address the effectiveness and efficiency of the Bank's internal control system, significant internal audit reports and recommendations, and matters relating to fraud risk management and the whistleblowing mechanism.
- *Oversight of Implementation of Corrective Actions.* The Audit Committee monitors management's implementation of timely and effective corrective actions on audit recommendations. This oversight ensures that identified weaknesses, policy and regulatory non-compliance, and other issues raised by auditors and control functions are addressed promptly and adequately to maintain sound governance and risk management.
- *Oversight over External Audit.* The Audit Committee exercises oversight over the external audit process by reviewing the appointment, scope, approach, and fees the external auditor. The Audit Committee evaluates auditor independence, performance, and compliance with auditing standards, including restrictions on non-audit services. The Committee also monitors internal control issues raised by the external auditors and ensures timely, complete communication between management and the external auditors.
- *Oversight of the outsourced internal audit activities.* The Audit Committee oversees the performance of internal audit service providers and ensures that they comply with sound internal auditing standards and other supplemental standards issued by regulatory authorities as well as with relevant codes of ethics.
- *Oversees the implementation of Group Internal Audit Policy.* The Audit Committee oversees the implementation of the policy through the periodic reports on oversight of the Group Internal Audit and takes appropriate action on any group internal oversight issues identified. The Audit Committee reviews and evaluates the group internal audit policy, and any amendments thereto, and endorses the same to the BOD for approval.
- *Oversight of the Establishment of a Whistleblowing Mechanism.* The Audit Committee oversees the establishment of a whistleblowing mechanism in the Bank by which officers and staff shall in confidence raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing, or other issues, to persons or entities that have the power to take corrective action. It also ensures that arrangements are in place for the independent investigation, appropriate follow-up, action, and subsequent resolution of complaints.



The Audit Committee regularly reports to the BOD about committee activities in relation to its responsibilities and how they were discharged, issues, and related recommendations. The Audit Committee also assesses the continuing adequacy of the Audit Committee Charter and confirms annually that all responsibilities outlined therein have been carried out.

In the performance of these functions, the Audit Committee is supported by the IAG. The Chief Audit Executive derives authority from and is directly accountable to the Audit Committee. However, administratively, the Chief Audit Executive reports to the President of the Parent Bank.

The internal audit function is entirely independent from all the other organizational units of the Parent Bank, as well as from the personnel and work that are to be audited. It operates under the direct control of the Audit Committee and is given an appropriate standing within the Parent Bank to be free from bias and interference. IAG is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

The IAG is authorized by the Audit Committee to have unrestricted access to all functions, records, property, and personnel of the Bank subject to existing mandates and applicable laws. This includes the authority to allocate resources, set audit frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the audit engagement objectives.

The IAG is also authorized to obtain the necessary assistance from personnel within the Parent Bank units where they perform audits, as well as other specialized services within or outside the Parent Bank.

The IAG presents its risk-based and forward-looking audit plan consistent with the Parent Bank's strategic plans and priorities every quarter for approval by the Audit Committee.

At least once a month, the Audit Committee meets to discuss the results of the assurance and advisory engagements, and case investigations by IAG. Financial Reporting and Controllershship related topics are also included as needed. The results of these meetings are regularly reported by the Audit Committee Chairman to the BOD in its monthly meetings.

- (f) The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance and compliance responsibilities. It is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and of oversight over the compliance risk management. It assists in the establishment of a compliance program that facilitates the escalation and resolution of compliance issues expeditiously. The CGC also acts as the Bank's Nomination Committee and reviews the qualifications of and screens candidates for the board including nominees for independent directors and key officers of the Parent Bank. The CGC likewise reviews the qualifications of and screens candidates of its nominees to its subsidiaries. It also oversees the succession plan for board members and senior officers, and directs the alignment of the latter's remuneration with corporate and individual performance.



The CGC is composed of nine (9) members of the BOD, all non-executive, majority of whom, including its Chairman, are independent directors. Its specific duties include, among others, making recommendations to the BOD regarding continuing education of directors, providing a communication channel for its subsidiaries and affiliates to ensure that the bank, as the Parent company, is kept well abreast of material issues, and overseeing the periodic performance evaluation of the 1) Board; 2) Board Committees; 3) Individual Directors; 4) Management-level Committees (through the respective committee secretariats; and 5) Chief Compliance and Corporate Governance Officer (CCO).

The CGC also performs oversight functions over the Compliance and Corporate Governance Office (CCGO) and the following management-level committees: 1) Anti-Money Laundering Committee and 2) Discipline Committee. Furthermore, the Sustainability Team of the Enterprise Risk and Management (ERM) unit regularly reports the status of the Bank's sustainability compliance to the CGC, pursuant to the Committee's mandate to ensure that ESG principles and sustainability objectives remain relevant to the business.

Senior management, through CCGO, periodically reports to the CGC the status of regulatory audit and compliance testing findings until their closure. Any material breaches of the compliance program are reported to and promptly addressed by the CCO within the mechanisms defined by the Compliance Manual.

The Parent Bank's CCO defines the Group's governance and compliance requirements and works closely with the subsidiaries' Chief Compliance Officers in the execution of these standards.

The Parent Bank's CCO assists the CGC in fulfilling its functions by apprising the same of (1) pertinent regulations and other issuances relating to compliance and corporate governance, (2) related regulatory issues and compliance initiatives affecting the various units and the status of the corrective action plans, and (3) continuously giving updates thereon. In addition, the CCO keeps the CGC abreast of best governance practices and discusses issues brought up among private organizations and individuals advocating good governance philosophy.

- (g) The Related Party Transaction Committee is a board-level committee composed of five (5) members, all of whom are independent directors, including its Chairman. The Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring among others, that:
- RPTs are transacted at arm's length, in the ordinary course of business, and in accordance with existing policies and regulations.
 - RPTs are reviewed and endorsed to the Board for approval or confirmation, as applicable
 - RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships are reflected in the relevant reports to the board and regulators.

The major risk types identified by the Group are discussed in the following sections:

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD and/or Credit Committee of the various companies within the Group. With respect to the Parent Bank, it



has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The ERM undertakes several functions with respect to credit risk management. The ERM independently performs credit risk assessment, evaluation and review for its consumer, commercial and corporate financial products to ensure consistency in the Parent Bank's risk assessment process. It also ensures that the Parent Bank's credit policies and procedures are adequate and are constantly updated to meet the changing demands or risk profiles of the business units. The ERM also reports to the Board's RMC.

The ERM's portfolio management function involves the review of the Parent Bank's loan portfolio, including the portfolio risks associated with particular customer segment, industry sectors, regions, loan size and maturity, and the development of a strategy for the Parent Bank to achieve its desired portfolio mix and risk profile. The ERM reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features. Concentrations indicate the relative sensitivity of the Parent Bank's performance to developments affecting a particular industry or geographical location.

The Group and the Parent Bank consider concentration risk to be present when the total exposure to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of December 31, 2025 and 2024, the Group and the Parent Bank did not exceed the limit in any of its industry concentration.

In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The ERM also monitors compliance to the BSP's limit on exposures.

An analysis of concentrations of credit risk for loans and other receivables and investment securities (grossed up for any allowance for credit losses and unearned discounts) of the Group and the Parent Bank by industry and by geographic location as of December 31, 2025 and 2024 is shown below (amounts in thousands):

	Group			
	2025			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱29,155,067	5.18	₱425,581,109	₱454,736,176
Other consumption	280,412,166	49.78	–	280,412,166
Real estate activities	86,904,570	15.43	11,039,587	97,944,157
Electricity, gas steam and air conditioning supply	21,994,580	3.90	22,359,209	44,353,789
Wholesale and retail trade, repair of motor vehicles	28,557,653	5.07	–	28,557,653
Arts, entertainment and recreation	28,165,503	5.00	–	28,165,503
Information and communication	26,371,573	4.68	–	26,371,573
Transportation and storage	15,009,447	2.66	2,505,376	17,514,823
Manufacturing	16,065,060	2.85	–	16,065,060
Construction	9,254,151	1.64	–	9,254,151
Agriculture, forestry and fishing	3,598,678	0.64	–	3,598,678
Activities of households as employers and undifferentiated goods and services	1,934,450	0.34	–	1,934,450
Other service activities	1,767,495	0.31	–	1,767,495
Accommodation and food service activities	1,510,390	0.27	–	1,510,390
Professional, scientific and technical activities	509,058	0.09	–	509,058
Others	12,039,390	2.14	8,655,036	20,694,426
	₱563,249,231	100.0	₱470,140,317	₱1,033,389,548

(Forward)



	Group			
	2025			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by location</i>				
Philippines	₱563,249,231	100.0	₱380,003,524	₱943,252,755
United States	-	-	45,376,466	45,376,466
Others - Asia	-	-	30,137,955	30,137,955
North America	-	-	7,693,163	7,693,163
South America	-	-	6,091,134	6,091,134
Europe	-	-	838,075	838,075
	₱563,249,231	100.0	₱470,140,317	₱1,033,389,548

	Group			
	2024			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱36,287,795	6.66	₱437,848,516	₱474,136,311
Other consumption	236,274,329	43.38	-	236,274,329
Real estate activities	93,720,155	17.21	13,981,886	107,702,041
Electricity, gas steam and air conditioning supply	14,364,514	2.64	25,476,487	39,841,001
Wholesale and retail trade, repair of motor vehicles	31,653,180	5.81	-	31,653,180
Arts, entertainment and recreation	22,784,818	4.18	-	22,784,818
Information and communication	28,378,273	5.21	-	28,378,273
Transportation and storage	15,367,065	2.82	2,486,098	17,853,163
Manufacturing	17,353,646	3.19	-	17,353,646
Construction	7,766,191	1.43	-	7,766,191
Agriculture, forestry and fishing	2,629,485	0.48	-	2,629,485
Activities of households as employers and undifferentiated goods and services	2,461,152	0.45	-	2,461,152
Other service activities	8,711,874	1.60	-	8,711,874
Accommodation and food service activities	1,391,169	0.26	-	1,391,169
Professional, scientific and technical activities	470,575	0.09	-	470,575
Others	24,993,053	4.59	8,537,880	33,530,933
	₱544,607,274	100.0	₱488,330,867	₱1,032,938,141
<i>Concentration by location</i>				
Philippines	₱544,607,274	100.0	₱427,730,677	₱972,337,951
Others - Asia	-	-	28,363,556	28,363,556
United States	-	-	15,717,181	15,717,181
North America	-	-	7,661,426	7,661,426
South America	-	-	6,095,184	6,095,184
	₱544,607,274	100.0	₱485,568,024	₱1,030,175,298

	Parent Bank			
	2025			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱28,842,966	6.67	₱365,486,700	₱394,329,666
Other consumption	154,527,291	35.73	-	154,527,291
Real estate activities	85,882,244	19.86	11,039,587	96,921,831
Electricity, gas steam and air conditioning supply	21,993,971	5.09	22,359,209	44,353,180
Arts, entertainment and recreation	28,145,229	6.51	-	28,145,229
Wholesale and retail trade, repair of motor vehicles	27,598,935	6.38	-	27,598,935
Information and communication	26,360,112	6.09	-	26,360,112
Transportation and storage	14,863,690	3.44	2,505,376	17,369,066
Manufacturing	15,756,095	3.64	-	15,756,095
Construction	9,032,424	2.09	-	9,032,424
Agriculture, forestry and fishing	2,556,893	0.59	-	2,556,893
Activities of households as employers and undifferentiated goods and services	1,933,678	0.45	-	1,933,678
Other service activities	1,476,162	0.34	-	1,476,162
Accommodation and food service activities	1,229,950	0.28	-	1,229,950
Professional, scientific and technical activities	499,619	0.12	-	499,619
Others	11,804,945	2.73	8,655,036	20,459,981
	₱432,504,204	100.0	₱410,045,908	₱842,550,112
<i>Concentration by location</i>				
Philippines	₱432,504,204	100.0	₱319,909,115	₱752,413,319
United States	-	-	45,376,466	45,376,466
Others - Asia	-	-	30,137,955	30,137,955
North America	-	-	7,693,163	7,693,163
South America	-	-	6,091,134	6,091,134
Europe	-	-	838,075	838,075
	₱432,504,204	100.0	₱410,045,908	₱842,550,112

(Forward)



	Parent Bank			
	2025			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱28,842,966	6.67	₱365,486,700	₱394,329,666
Other consumption	154,527,291	35.73	–	154,527,291
Real estate activities	85,882,244	19.86	11,039,587	96,921,831
Electricity, gas steam and air conditioning supply	21,993,971	5.09	22,359,209	44,353,180
Arts, entertainment and recreation	28,145,229	6.51	–	28,145,229
Wholesale and retail trade, repair of motor vehicles	27,598,935	6.38	–	27,598,935
Information and communication	26,360,112	6.09	–	26,360,112
Transportation and storage	14,863,690	3.44	2,505,376	17,369,066
Manufacturing	15,756,095	3.64	–	15,756,095
Construction	9,032,424	2.09	–	9,032,424
Agriculture, forestry and fishing	2,556,893	0.59	–	2,556,893
Activities of households as employers and undifferentiated goods and services	1,933,678	0.45	–	1,933,678
Other service activities	1,476,162	0.34	–	1,476,162
Accommodation and food service activities	1,229,950	0.28	–	1,229,950
Professional, scientific and technical activities	499,619	0.12	–	499,619
Others	11,804,945	2.73	8,655,036	20,459,981
	₱432,504,204	100.0	₱410,045,908	₱842,550,112
<i>Concentration by location</i>				
Philippines	₱432,504,204	100.0	₱319,909,115	₱752,413,319
United States	–	–	45,376,466	45,376,466
Others - Asia	–	–	30,137,955	30,137,955
North America	–	–	7,693,163	7,693,163
South America	–	–	6,091,134	6,091,134
Europe	–	–	838,075	838,075
	₱432,504,204	100.0	₱410,045,908	₱842,550,112

The table below shows the breakdown of the Group's and the Parent Bank's exposure (outstanding balance and accrued interest receivable) on receivable from customers and investments and placements as of December 31, 2025 and 2024:

	Group	
	2025	2024
Consumer products*	₱159,080,387	₱137,551,702
Corporate loans	135,580,887	129,847,959
CSB salary loans	93,379,457	88,803,586
Home loans	54,342,905	68,852,185
Commercial loans	66,386,553	65,129,415
Other receivables from customers**	44,197,921	43,440,299
Total receivables from customers	552,968,110	533,625,146
Investments and placements	470,140,317	488,330,867
	₱1,023,108,427	₱1,021,956,013

*Comprised of the Parent Bank's Small and Medium Enterprise (SME) Financial Products, Auto Loans, Credit Cards and Personal Loans

**Comprised primarily of High-net-worth-individuals loans, Corporate retail loans, HR loans, Personal loans of Union Digital, and motorcycle loans of CSB



	Parent Bank	
	2025	2024
Consumer products*	₱159,080,387	₱137,551,702
Corporate loans	135,580,887	129,847,959
Home loans	54,342,905	68,852,185
Commercial loans	66,386,553	65,129,415
Other receivables from customers**	10,866,150	11,061,503
Total receivables from customers	426,256,882	412,442,764
Investments and placements	420,045,908	437,973,957
	₱846,302,790	₱850,416,721

*Comprised of the Parent Bank's Small and Medium Enterprise (SME) Financial Products, Auto Loans, Credit Cards and Personal Loans

**Comprised primarily of High-net-worth-individuals loans, Corporate retail loans, HR loans, Personal loans of Union Digital, and motorcycle loans of CSB

Investments and placements include financial assets at amortized cost, debt securities classified as financial assets at FVOCI, due from other banks, due from BSP and interbank loans receivable and the related accrued interest receivable amounting to ₱4.73 billion and ₱4.70 billion for the Group as of December 31, 2025 and 2024, respectively, and ₱4.58 billion and ₱4.53 billion for the Parent Bank as of December 31, 2025 and 2024, respectively,

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposure according to portfolios:

Credit risk management practices and credit quality disclosures

Corporate Loans

Corporate lending activities are undertaken by the Parent Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies.

The Parent Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its obligor risk rating master scale.

The Parent Bank currently utilizes the same single rating system for both Corporate and Commercial accounts. In addition, the result on the latter is further refined through a second model to take more careful account of the nuances between the commercial bank portfolio with that of the corporate loan book.

The rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Significant changes in the credit risk considering movements in credit rating, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 impairment standards. In 2023, the Parent Bank updated the stage assessment to enhance the considerations related to movements in the borrower's credit rating when determining significant increase in credit risk, which include rating threshold triggers.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), from AAA to D. In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which consists of a Facility Tenor Rating (FTR) and a Security Risk Rating (SRR). The FTR measures the maturity risk based on the length of loan exposure, while the SRR measures the quality of the collateral and risk of its potential deterioration over the term of the



loan. The FTR and the SRR, each a 100-point scoring system, are given equal weight in determining the LER.

Once the BRR and the LER have been determined, the credit limit to a borrower is determined under the Risk Asset Acceptance Criteria (RAAC) which is a range of acceptable combinations of the BRR and the LER. Under the RAAC system, a borrower with a high BRR will have a broader range of acceptable LERs.

The credit rating for each borrower is reviewed annually or earlier when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy such as the COVID-19 pandemic. Any major change in the credit scoring system, the RAAC range and/or the risk-adjusted pricing system is presented to and approved by the RMC.

The description of each credit quality grouping for the credit scores is explained further as follows:

High Quality Grade - These accounts are of the highest quality and are likely to meet financial obligations.

Standard Grade - These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.

Substandard Grade - These accounts are vulnerable to non-payment but for which default has not yet occurred.

Non-Performing - These refer to accounts which are in default or those that demonstrate objective evidence of impairment.

Below is the breakdown of the Group and Parent Bank's corporate loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2025 and 2024:

Credit Score	Masterscale	December 31, 2025			Total
		Stage 1	Stage 2	Stage 3	
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	1,379,506	-	-	1,379,506
BBB	3	-	-	-	-
BBB- to BB+	4	17,291,791	-	-	17,291,791
<i>Standard Grade</i>					
BB to BB-	5	56,807,875	-	-	56,807,875
B+	6	16,338,301	-	-	16,338,301
B to B-	7	18,750,718	-	-	18,750,718
CCC+ to CCC	8	-	23,877,046	-	23,877,046
<i>Substandard Grade</i>					
Lower than CCC	9	754,253	124,719	-	878,972
<i>Non-Performing</i>					
Default	10	-	-	256,678	256,678
		₱111,322,444	₱24,001,765	₱256,678	₱135,580,887



		December 31, 2024			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	P-	P-	P-	P-
BBB+	2	3,065,224	-	-	3,065,224
BBB	3	3,586,437	-	-	3,586,437
BBB- to BB+	4	11,144,592	-	-	11,144,592
<i>Standard Grade</i>					
BB to BB-	5	55,043,038	-	-	55,043,038
B+	6	20,977,372	-	-	20,977,372
B to B-	7	20,499,788	-	-	20,499,788
CCC+ to CCC	8	57,690	12,613,869	-	12,671,559
<i>Substandard Grade</i>					
Lower than CCC	9	2,438,518	194,029	-	2,632,547
<i>Non-Performing</i>					
Default	10	-	-	227,402	227,402
		₱116,812,659	₱12,807,898	₱227,402	₱129,847,959

Commercial Loans

The Group and Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly middle market companies. These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.

The non-financial ComBank accounts use an adjusted obligor rating scale derived from the one applied for corporate loans, and follows the same RAAC framework, while ComBank accounts classified as banks and non-bank financial institutions are still rated using the 2018 rating scale.

Below is the breakdown of the Group and Parent Bank's commercial loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2025 and 2024 for financial and non-financial institutions:

Financial Institutions

		December 31, 2025			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	P-	P-	P-	P-
BBB+	2	-	-	-	-
BBB-	3	-	-	-	-
BBB- to BB+	4	1,045,943	-	-	1,045,943
<i>Standard Grade</i>					
BB to BB-	5	2,687,582	-	-	2,687,582
B+	6	1,376,512	-	-	1,376,512
B to B-	7	3,998,711	-	-	3,998,711
CCC+ to CCC	8	-	106,348	-	106,348
<i>Substandard Grade</i>					
Lower than CCC	9	-	30,158	-	30,158
<i>Non-Performing</i>					
Default	10	-	-	28,172	28,172
		₱9,108,748	₱136,506	₱28,172	₱9,273,426



Credit Score	Masterscale	December 31, 2024			
		Amounts			
		Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	-	-	-	-
BBB-	3	-	-	-	-
BBB- to BB+	4	-	-	-	-
<i>Standard Grade</i>					
BB to BB-	5	2,830,955	-	-	2,830,955
B+	6	1,312,994	-	-	1,312,994
B to B-	7	6,073,537	-	-	6,073,537
CCC+ to CCC	8	-	120,703	-	120,703
<i>Substandard Grade</i>					
Lower than CCC	9	-	75,439	-	75,439
<i>Non-Performing</i>					
Default	10	-	-	28,172	28,172
		₱10,217,486	₱196,142	₱28,172	₱10,441,800

Non-financial Institutions

Masterscale	December 31, 2025			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱-	₱-	₱-	₱-
2	-	-	-	-
3	69,834	-	-	69,834
4	6,134,779	-	-	6,134,779
5	18,218,252	-	-	18,218,252
6	11,514,826	-	-	11,514,826
7	10,923,520	-	-	10,923,520
8	40,236	492,624	-	532,860
9	20,406	522,794	-	543,200
10	-	-	9,175,856	9,175,856
	₱46,921,853	₱1,015,418	₱9,175,856	₱57,113,127

Masterscale	December 31, 2024			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱-	₱-	₱-	₱-
2	-	-	-	-
3	80,266	-	-	80,266
4	6,597,738	-	-	6,597,738
5	12,584,148	-	-	12,584,148
6	10,164,025	-	-	10,164,025
7	11,621,597	-	-	11,621,597
8	53,159	1,182,133	-	1,235,292
9	1,165,352	1,585,868	-	2,751,220
10	-	-	9,653,329	9,653,329
	₱42,266,285	₱2,768,001	₱9,653,329	₱54,687,615

Consumer Financial Products

The Consumer loan portfolio of the Parent Bank is composed of five main product lines, namely: Home Loans, Credit Card, Personal Loans, Small and Medium Enterprise (SME) financial products and Auto Loans.

In particular, SME portfolio is composed of business lines and a small portion from emerging products.

Each of these products has established credit risk guidelines and systems for managing credit risk across all products. Credit models are constantly reviewed and updated as necessary supported by enhanced data analytics to improve portfolio quality and product offers.



For the subsidiary, CSB, an accredited lending institution of the Department of Education (DepEd), provides salary loans to teachers under an agreement with DepEd for payroll deductions. CSB also provides motorcycle loans as a result of its acquisition and subsequent merger with PR Savings Bank.

Exposure to credit risk is managed through diligent assessment upon onboarding and regular portfolio and segment analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate.

The Consumer products' respective masterscale is defined by the credit scoring models, which consider demographic variables and behavioral performance, to segment the portfolio according to risk masterscale per product. The stages are defined by the approved SICR for Consumer which takes into account the following: NPL status, days past due, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance).

Home Loans (excluding Contract to Sell - CTS accounts) use a rating scale of 1 to 6, while CTS accounts follow the Corporate rating framework, which uses scores from 1 to 9. For Credit Cards, both Blue and Legacy portfolios apply the NR1 to NR7 scale for non-restructured accounts and the R1 to R6 scale for restructured accounts. Personal Loans utilize a broader rating scale ranging from 1 to 17. Auto Loans use a rating scale of 1 to 5. Meanwhile, the SME portfolio no longer uses a masterscale rating and instead applies a simplified PD assignment approach, where the probability of default is directly determined based on the account's stage classification.

Below is the breakdown of the Group's and the Parent Bank's major consumer portfolio loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2025 and 2024:

Group and Parent Bank - Consumer Products: Home Loans

December 31, 2025				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱12,252,421	₱50,407	₱-	₱12,302,828
2	14,900,600	102,566	-	15,003,166
3	9,340,625	324,543	-	9,665,168
4	3,590,252	324,027	-	3,914,279
5	1,374,189	194,410	-	1,568,599
6	1,958,120	1,733,480	-	3,691,600
7	1,937,868	-	-	1,937,868
Default	-	-	6,259,397	6,259,397
	₱45,354,075	₱2,729,433	₱6,259,397	₱54,342,905

December 31, 2024				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱11,938,908	₱61,947	₱-	₱12,000,855
2	13,735,257	144,897	-	13,880,154
3	10,503,829	354,231	-	10,858,060
4	4,064,334	378,748	-	4,443,082
5	5,305,110	257,021	-	5,562,131
6	1,420,068	1,907,567	-	3,327,635
7	11,366,889	-	-	11,366,889
Default	-	-	7,413,379	7,413,379
	₱58,334,395	₱3,104,411	₱7,413,379	₱68,852,185



Group and Parent Bank - Consumer Products: Credit Cards

December 31, 2025				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
NR1	₱6,394,732	₱-	₱-	₱6,394,732
NR2	24,718,149	-	-	24,718,149
NR3	23,889,759	2,166	-	23,891,925
NR4	28,107,643	4,455	-	28,112,098
NR5	22,857,598	30,960	-	22,888,558
NR6	12,319,799	-	-	12,319,799
NR7	-	4,387,851	-	4,387,851
R1	75,431	838	-	76,269
R2	620,299	48,990	-	669,289
R3	588,550	702,474	-	1,291,024
R4	138,229	802,407	-	940,636
R5	-	475,840	-	475,840
R6	-	362,040	-	362,040
Default	-	-	4,711,238	4,711,238
	₱119,710,189	₱6,818,022	₱4,711,238	₱131,239,448

December 31, 2024				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱3,942,413	₱33	₱-	₱3,942,446
2	12,212,607	446	-	12,213,053
3	19,909,886	11,529	-	19,921,415
4	23,115,365	28,462	-	23,143,827
5	22,918,054	201,881	-	23,119,935
6	16,483,925	1,342,352	-	17,826,277
7	317,719	1,145	-	318,864
8	627,510	28,177	-	655,687
9	1,009,803	204,908	-	1,214,711
10	-	146,960	-	146,960
11	-	287,948	-	287,948
12	-	745,480	-	745,480
13	-	1,110,527	-	1,110,527
Default	-	-	4,101,014	4,101,014
	₱100,537,282	₱4,109,848	₱4,101,014	₱108,748,144

Group and Parent Bank - Consumer Products: Personal loans

December 31, 2025				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱1,006,370	₱11,006	₱-	₱1,017,376
2	2,631,130	21,846	-	2,652,976
3	2,675,525	29,613	-	2,705,138
4	4,632,334	17,727	-	4,650,061
5	1,284,917	8,146	-	1,293,063
6	2,536,131	390,752	-	2,926,883
7	28,621	-	-	28,621
8	81,126	67	-	81,193
9	142,900	1,929	-	144,829
10	68,040	2,621	-	70,661
11	113,933	32,439	-	146,372
12	89,966	61,392	-	151,358
13	-	49,392	-	49,392
14	-	103,432	-	103,432
15	-	276,941	-	276,941
16	-	84,551	-	84,551
17	-	141,180	-	141,180
Default	-	-	1,410,938	1,410,938
	₱15,290,993	₱1,233,034	₱1,410,938	₱17,934,965



December 31, 2024				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱806,024	₱9,607	₱-	₱815,631
2	2,592,640	23,538	-	2,616,178
3	3,897,428	56,869	-	3,954,297
4	3,994,483	55,180	-	4,049,663
5	950,259	12,084	-	962,343
6	2,658,822	191,310	-	2,850,132
7	63,897	2,981	-	66,878
8	119,649	8,172	-	127,821
9	196,539	12,701	-	209,240
10	87,913	2,680	-	90,593
11	146,028	23,493	-	169,521
12	254,644	100,645	-	355,289
13	-	87,785	-	87,785
14	-	131,831	-	131,831
15	-	225,541	-	225,541
16	-	61,774	-	61,774
17	-	139,248	-	139,248
Default	-	-	777,871	777,871
	₱15,768,326	₱1,145,439	₱777,871	₱17,691,636

Group and Parent Bank - Consumer Products: SME Financial Products and Auto Loans

Auto Loans

December 31, 2025				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total*
1	₱97,821	₱-	₱-	₱97,821
2	248,317	-	-	248,317
3	425,099	810	-	425,909
4	280,457	-	-	280,457
5	90,806	20,137	-	110,943
Default	-	-	50,071	50,071
	₱1,142,500	₱20,947	₱50,071	₱1,213,518

SME Financial Products

December 31, 2025				
Amounts				
	Stage 1	Stage 2	Stage 3	Total
Group	₱6,375,994	₱431,507	₱1,884,955	₱8,692,456

SME Financial Products and Auto Loans

December 31, 2024				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total*
1	₱1,701,874	₱5,805	₱-	₱1,707,679
2	3,792,883	7,185	-	3,800,068
3	1,612,031	10,049	-	1,622,080
4	1,513,347	124,030	-	1,637,377
5	451,658	141,361	-	593,019
Default	-	-	1,751,699	1,751,699
	₱9,071,793	₱288,430	₱1,751,699	₱11,111,922

As of December 31, 2024, this consists of SME loans and auto loans amounting to ₱9.72 billion and ₱1.39 billion, respectively. The Bank uses rating scale of 1 to 5 for both products.



CSB Salary Loans

For CSB salary loans, which relates to the DepEd loans of CSB, each borrower is assigned a credit score with E as minimal risk, D as low risk, C as moderate risk, B as average risk and A as high risk.

The description of each credit quality grouping for the credit scores is explained further as follows:

High grade (minimal to low risk) - These are receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable.

Standard grade (moderate to average risk) - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

Substandard (high risk) - Accounts classified as “Substandard” are individual credits or portions thereof which appear to involve a substantial and unreasonable degree of risk to CSB because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to CSB unless given closer supervision. Those classified as “Substandard” must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

Below is the breakdown of CSB’s salary loans exposure (outstanding balance and accrued interest receivable) by credit score as of December 31, 2025 and 2024:

Credit Score	December 31, 2025			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
D to E	₱40,961,502	₱75,255	₱-	₱41,036,757
B to C	33,969,924	-	-	33,969,924
A	9,764,286	643,517	-	10,407,803
Default	-	-	7,964,973	7,964,973
	₱84,695,712	₱718,772	₱7,964,973	₱93,379,457

Credit Score	December 31, 2024			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
D to E	₱9,896,039	₱-	₱-	₱9,896,039
B to C	68,614,420	973,348	-	69,587,768
A	956,557	1,002,979	-	1,959,536
Default	-	-	7,360,243	7,360,243
	₱79,467,016	₱1,976,327	₱7,360,243	₱88,803,586

Other receivables from customers

Other receivables from customers of the Group and the Parent Bank include small portfolios such as, with respect to the Parent Bank (i) HR loans, (ii) bills purchased and (iii) customer liabilities under acceptances, (iv) home credit receivables, (v) teacher’s loans acquired from CSB, (vi) high-net-worth individual loans, (vii) corporate retail loans and, with respect to the subsidiaries, (i) personal loans, and (ii) motorcycle loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses.



Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate.

Each product was risk rated using techniques appropriate to the Group's and Parent Bank's credit experience. Such methods consider the payment history that are reflected in aging, delinquency, and/or change in rating. These provide the bases for the ECL stage determination.

The description of each groupings according to stage is explained further as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, does not demonstrate significant increase in credit risk.

Stage 2 - those that are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date, and, based on change in rating, delinquencies and payment history, demonstrates significant increase in credit risk.

Stage 3 - Those that are considered default of more than 90 days past due or demonstrates objective evidence of impairment as of reporting date.

Below is a summary as of December 31, 2025 and 2024 of the Group's and Parent Bank's other receivables from customers.

December 31, 2025				
Amounts				
	Stage 1	Stage 2	Stage 3	Total
Group	P34,940,143	P1,109,158	P8,148,620	P44,197,921
Parent Bank	10,116,362	172,667	577,121	10,866,150

December 31, 2024				
Amounts				
	Stage 1	Stage 2	Stage 3	Total
Group	P34,439,079	P1,119,125	P7,882,095	P43,440,299
Parent Bank	10,181,231	207,032	673,240	11,061,503

Investments and Placements

Investments and placements include financial assets at amortized cost, debt financial assets through other comprehensive income, due from BSP, interbank loans receivable, and due from other banks. Each has established credit risk guidelines and systems for managing credit risk across all businesses.

Below is the breakdown of the Group's and the Parent Bank's investments and placements (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2025 and 2024:

Sovereign – Group

December 31, 2025				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P-	P-	P-	P-
2	15,952,715	-	-	15,952,715
3	-	-	-	-
4	294,744	-	-	294,744
5	3,638,608	-	-	3,638,608
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-

(Forward)



December 31, 2025				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
9	₱284,347,099	₱-	₱-	₱284,347,099
10	-	-	-	-
11	4,792,627	-	-	4,792,627
12	-	2,369,855	-	2,369,855
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	₱309,025,793	₱2,369,855	-	₱311,395,648

December 31, 2024				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱-	₱-	₱-	₱-
2	15,717,182	-	-	15,717,182
3	-	-	-	-
4	290,074	-	-	290,074
5	1,816,857	-	-	1,816,857
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	297,874,377	-	-	297,874,377
10	-	-	-	-
11	3,393,505	1,356,514	-	4,750,019
12	-	-	-	-
13	-	-	-	-
14	-	2,331,786	-	2,331,786
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	₱319,091,995	₱3,688,300	₱-	₱322,780,295

Corporate – Group

December 31, 2025				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱24,255,033	₱-	₱-	₱24,255,033
2	1,710,275	-	-	1,710,275
3	722,733	-	-	722,733
4	97,111,491	-	-	97,111,491
5	12,066,624	-	-	12,066,624
6	6,341,048	-	-	6,341,048
7	1,399,828	-	-	1,399,828
8	-	7,642,897	-	7,642,897
9	-	-	-	-
10	7,494,740	-	-	7,494,740
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
Default	-	-	-	-
	₱151,101,772	₱7,642,897	₱-	₱158,744,669

December 31, 2024				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱21,881,403	₱-	₱-	₱21,881,403
2	2,117,338	-	-	2,117,338
3	901,530	-	-	901,530
4	90,603,106	-	-	90,603,106
5	2,916,278	-	-	2,916,278
6	12,976,914	-	-	12,976,914
7	7,488,260	-	-	7,488,260
8	2,475,448	-	-	2,475,448
9	5,798,372	-	-	5,798,372
10	10,866,262	-	-	10,866,262
11	7,525,661	-	-	7,525,661
12	-	-	-	-
13	-	-	-	-
Default	-	-	-	-
	₱165,550,572	₱-	₱-	₱165,550,572



Sovereign – Parent Bank

December 31, 2025				
Masterscale	Amounts			Total
	Stage 1	Stage 2	Stage 3	
1	P-	P-	P-	P-
2	15,952,715	-	-	15,952,715
3	-	-	-	-
4	294,744	-	-	294,744
5	3,638,608	-	-	3,638,608
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	274,134,404	-	-	274,134,404
10	-	-	-	-
11	4,792,627	-	-	4,792,627
12	-	2,369,855	-	2,369,855
13	-	-	-	-
14	-	-	-	-
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	P298,813,098	P2,369,855	P-	P301,182,953

December 31, 2024				
Masterscale	Amounts			Total
	Stage 1	Stage 2	Stage 3	
1	P-	P-	P-	P-
2	15,717,182	-	-	15,717,182
3	-	-	-	-
4	290,074	-	-	290,074
5	1,816,857	-	-	1,816,857
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	287,940,213	-	-	287,940,213
10	-	-	-	-
11	3,393,505	1,356,514	-	4,750,019
12	-	-	-	-
13	-	-	-	-
14	-	2,331,786	-	2,331,786
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	P309,157,831	P3,688,300	P-	P312,846,131

Corporate – Parent Bank

December 31, 2025				
Masterscale	Amounts			Total
	Stage 1	Stage 2	Stage 3	
1	P24,255,033	P-	P-	P24,255,033
2	1,710,275	-	-	1,710,275
3	722,733	-	-	722,733
4	58,629,605	-	-	58,629,605
5	12,066,624	-	-	12,066,624
6	6,341,048	-	-	6,341,048
7	-	-	-	-
8	-	7,642,897	-	7,642,897
9	-	-	-	-
10	7,494,740	-	-	7,494,740
11	-	-	-	-
12	-	-	-	-
13	-	-	-	-
Default	-	-	-	-
	P111,220,058	P7,642,897	P-	P118,862,955



Masterscale	December 31, 2024			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱21,881,403	₱-	₱-	₱21,881,403
2	2,117,338	-	-	2,117,338
3	901,530	-	-	901,530
4	57,668,620	-	-	57,668,620
5	2,916,278	-	-	2,916,278
6	12,976,914	-	-	12,976,914
7	-	-	-	-
8	2,475,448	-	-	2,475,448
9	5,798,372	-	-	5,798,372
10	10,866,262	-	-	10,866,262
11	7,525,661	-	-	7,525,661
12	-	-	-	-
13	-	-	-	-
Default	-	-	-	-
	₱125,127,826	₱-	₱-	₱125,127,826

Analysis of Movements of Gross Carrying Amounts

The movements in receivables from customers on a total and per segment basis in 2025 and 2024 follow. The balances presented consist of the outstanding principal balance and the related accrued interest receivables:

Group – Total receivables from customers

	2025			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱466,914,321	₱27,515,621	₱39,195,204	₱533,625,146
Newly originated assets that remained in Stage 1 as at December 31, 2025*	204,454,738	-	-	204,454,738
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2025*	-	17,062,016	7,355,034	24,417,050
Movements in receivable balance (excluding write-offs)**	(180,992,207)	(6,271,427)	(8,212,232)	(195,475,866)
Transfers to Stage 1	5,654,762	(3,730,073)	(1,924,689)	-
Transfers to Stage 2	(8,988,013)	9,479,611	(491,598)	-
Transfers to Stage 3	(12,180,951)	(5,841,186)	18,022,137	-
Amounts written-off	-	-	(14,052,958)	(14,052,958)
Balances at end of year	₱474,862,650	₱38,214,562	₱39,890,898	₱552,968,110

*Includes availment of new customers of credit cards

**Includes availment of existing customers of credit cards.

	2024			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱467,904,474	₱27,293,424	₱34,077,834	₱529,275,732
Newly originated assets that remained in Stage 1 as at December 31, 2024*	198,532,316	-	-	198,532,316
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024*	-	5,490,851	4,469,435	9,960,286
Movements in receivable balance (excluding write-offs)**	(177,230,865)	(10,101,286)	(1,406,384)	(188,738,535)
Transfers to Stage 1	2,727,618	(1,473,954)	(1,253,664)	-
Transfers to Stage 2	(11,046,744)	11,649,442	(602,698)	-
Transfers to Stage 3	(13,972,478)	(5,342,856)	19,315,334	-
Amounts written-off	-	-	(15,404,653)	(15,404,653)
Balances at end of year	₱466,914,321	₱27,515,621	₱39,195,204	₱533,625,146

*Includes availment of new customers of credit cards

**Includes availment of existing customers of credit cards.



Parent Bank – Total receivables from customers

	2025			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱363,189,457	₱24,627,201	₱24,626,106	₱412,442,764
Newly originated assets that remained in Stage 1 as at December 31, 2025*	119,921,717	–	–	119,921,717
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2025*	–	15,912,005	4,965,302	20,877,307
Movements in receivable balance (excluding write-offs)**	(104,740,400)	(4,474,362)	(5,497,242)	(114,712,004)
Transfers to Stage 1	5,329,632	(3,459,039)	(1,870,593)	–
Transfers to Stage 2	(8,550,632)	9,038,751	(488,119)	–
Transfers to Stage 3	(9,806,617)	(5,085,257)	14,891,874	–
Amounts written-off	–	–	(12,272,902)	(12,272,902)
Balances at end of year	₱365,343,157	₱36,559,299	₱24,354,426	₱426,256,882

*Includes availment of new customers of credit cards

**Includes availment of existing customers of credit cards.

	2024			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱367,190,291	₱23,549,742	₱19,521,664	₱410,261,697
Newly originated assets that remained in Stage 1 as at December 31, 2024*	116,895,142	–	–	116,895,142
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024*	–	4,058,443	2,524,629	6,583,072
Movements in receivable balance (excluding write-offs)**	(104,577,760)	(8,260,857)	506,169	(112,332,448)
Transfers to Stage 1	2,532,808	(1,346,838)	(1,185,970)	–
Transfers to Stage 2	(9,759,206)	10,352,114	(592,908)	–
Transfers to Stage 3	(9,091,818)	(3,725,403)	12,817,221	–
Amounts written-off	–	–	(8,964,699)	(8,964,699)
Balances at end of year	₱363,189,457	₱24,627,201	₱24,626,106	₱412,442,764

*Includes availment of new customers of credit cards

**Includes availment of existing customers of credit cards.

Group and Parent Bank – Corporate loans

	2025			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱116,812,659	₱12,807,898	₱227,402	₱129,847,959
Newly originated assets that remained in Stage 1 as at December 31, 2025	45,014,151	–	–	45,014,151
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2025	–	13,898,518	27,555	13,926,073
Movements in receivable balance (excluding write-offs)	(49,372,262)	(3,834,779)	(255)	(53,207,296)
Transfers to Stage 2	(1,132,104)	1,132,104	–	–
Transfers to Stage 3	–	(1,976)	1,976	–
Balances at end of year	₱111,322,444	₱24,001,765	₱256,678	₱135,580,887



	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱117,375,504	₱15,200,343	₱100,978	₱132,676,825
Newly originated assets that remained in Stage 1 as at December 31, 2024	36,658,581	–	–	36,658,581
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024	–	258,397	214,532	472,929
Movements in receivable balance (excluding write-offs)	(33,796,746)	(6,062,813)	(100,817)	(39,960,376)
Transfers to Stage 2	(3,411,971)	3,411,971	–	–
Transfers to Stage 3	(12,709)	–	12,709	–
Balances at end of year	₱116,812,659	₱12,807,898	₱227,402	₱129,847,959

Group and Parent Bank – Commercial loans

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱52,483,771	₱2,964,143	₱9,681,501	₱65,129,415
Newly originated assets that remained in Stage 1 as at December 31, 2025	46,614,198	–	–	46,614,198
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2025	–	861,630	3,667,648	4,529,278
Movements in receivable balance (excluding write-offs)	(43,026,243)	(2,647,790)	(4,212,305)	(49,886,338)
Transfers to Stage 1	147,134	(147,134)	–	–
Transfers to Stage 2	(114,920)	133,254	(18,334)	–
Transfers to Stage 3	(73,339)	(12,179)	85,518	–
Balances at end of year	₱56,030,601	₱1,151,924	₱9,204,028	₱66,386,553

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱63,952,981	₱1,623,842	₱9,469,107	₱75,045,930
Newly originated assets that remained in Stage 1 as at December 31, 2024	43,183,757	–	–	43,183,757
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024	–	2,218,925	206,404	2,425,329
Movements in receivable balance (excluding write-offs)	(53,590,583)	(1,633,111)	(301,907)	(55,525,601)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(970,706)	970,706	–	–
Transfers to Stage 3	(91,678)	(216,219)	307,897	–
Balances at end of year	₱52,483,771	₱2,964,143	₱9,681,501	₱65,129,415



Group and Parent Bank – Home Loans

	2025			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱58,334,395	₱3,104,411	₱7,413,379	₱68,852,185
Newly originated assets that remained in Stage 1 as at December 31, 2025	5,485,352	–	–	5,485,352
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2025	–	127,922	190,980	318,902
Movements in receivable balance (excluding write-offs)	(18,031,952)	(270,076)	(1,963,296)	(20,265,324)
Transfers to Stage 1	2,673,483	(1,287,156)	(1,386,327)	–
Transfers to Stage 2	(1,627,119)	1,852,525	(225,406)	–
Transfers to Stage 3	(1,480,084)	(798,193)	2,278,277	–
Amounts written off	–	–	(48,210)	(48,210)
Balances at end of year	₱45,354,075	₱2,729,433	₱6,259,397	₱54,342,905

	2024			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱60,498,639	₱3,038,966	₱7,010,190	₱70,547,795
Newly originated assets that remained in Stage 1 as at December 31, 2024	6,271,780	–	–	6,271,780
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024	–	165,605	235,233	400,838
Movements in receivable balance (excluding write-offs)	(6,544,386)	(296,686)	(1,527,156)	(8,368,228)
Transfers to Stage 1	2,020,285	(997,600)	(1,022,685)	–
Transfers to Stage 2	(1,814,754)	2,339,664	(524,910)	–
Transfers to Stage 3	(2,097,169)	(1,145,538)	3,242,707	–
Amounts written off	–	–	–	–
Balances at end of year	₱58,334,395	₱3,104,411	₱7,413,379	₱68,852,185

Group and Parent Bank - Consumer Products

	2025			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱125,377,401	₱5,543,717	₱6,630,584	₱137,551,702
Newly originated assets that remained in Stage 1 as at December 31, 2025*	17,739,829	–	–	17,739,829
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31 2025*	–	908,191	1,056,086	1,964,277
Movements in receivable balance (excluding write-offs)**	10,755,187	2,440,096	780,742	13,976,025
Transfers to Stage 1	2,491,626	(2,014,353)	(477,273)	–
Transfers to Stage 2	(5,657,349)	5,888,726	(231,377)	–
Transfers to Stage 3	(8,187,020)	(4,262,866)	12,449,886	–
Amounts written-off	–	–	(12,151,446)	(12,151,446)
Balances at end of year	₱142,519,674	₱8,503,511	₱8,057,202	₱159,080,387

*Includes availment of new customers of credit cards

**Includes availment of existing customers of credit cards.



	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱114,515,757	₱3,447,140	₱2,167,351	₱120,130,248
Newly originated assets that remained in Stage 1 as at December 31, 2024*	25,168,515	–	–	25,168,515
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31 2024*	–	1,387,872	1,763,625	3,151,497
Movements in receivable balance (excluding write-offs)**	(4,412,804)	(236,297)	2,677,434	(1,971,667)
Transfers to Stage 1	453,698	(327,119)	(126,579)	–
Transfers to Stage 2	(3,531,994)	3,580,844	(48,850)	–
Transfers to Stage 3	(6,815,771)	(2,308,723)	9,124,494	–
Amounts written-off	–	–	(8,926,891)	(8,926,891)
Balances at end of year	₱125,377,401	₱5,543,717	₱6,630,584	₱137,551,702

*Includes availment of new customers of credit cards

**Includes availment of existing customers of credit cards.

Group - CSB Salary Loans

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱79,467,016	₱1,976,327	₱7,360,243	₱88,803,586
Newly originated assets that remained in Stage 1 as at December 31, 2025	66,311,458	–	–	66,311,458
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2025	–	643,517	1,594,662	2,238,179
Movements in receivable balance (excluding write-offs)	(59,896,195)	(1,446,623)	(2,497,055)	(63,839,873)
Transfers to Stage 1	238,869	(196,402)	(42,467)	–
Transfers to Stage 2	(65,798)	65,798	–	–
Transfers to Stage 3	(1,359,638)	(323,845)	1,683,483	–
Amounts written-off	–	–	(133,893)	(133,893)
Balances at end of year	₱84,695,712	₱718,772	₱7,964,973	₱93,379,457

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱76,692,939	₱1,741,966	₱6,021,285	₱84,456,190
Newly originated assets that remained in Stage 1 as at December 31, 2024	63,697,277	–	–	63,697,277
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024	–	970,196	822,341	1,792,537
Movements in receivable balance (excluding write-offs)	(57,513,323)	(1,250,579)	(1,710,460)	(60,474,362)
Transfers to Stage 1	93,901	(55,372)	(38,529)	–
Transfers to Stage 2	(949,224)	949,281	(57)	–
Transfers to Stage 3	(2,554,554)	(379,165)	2,933,719	–
Amounts written-off	–	–	(668,056)	(668,056)
Balances at end of year	₱79,467,016	₱1,976,327	₱7,360,243	₱88,803,586



Group – Other receivables

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱34,439,079	₱1,119,125	₱7,882,095	₱43,440,299
Newly originated assets that remained in Stage 1 as at December 31, 2025	23,289,750	–	–	23,289,750
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2025	–	622,238	818,103	1,440,341
Movements in receivable balance (excluding write-offs)	(21,420,743)	(512,254)	(320,062)	(22,253,059)
Transfers to Stage 1	103,651	(85,028)	(18,622)	–
Transfers to Stage 2	(390,723)	407,204	(16,481)	–
Transfers to Stage 3	(1,080,870)	(442,127)	1,522,997	–
Amounts written-off	–	–	(1,719,409)	(1,719,409)
Balances at end of year	₱34,940,143	₱1,109,158	₱8,148,620	₱44,197,921

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱34,868,654	₱2,241,167	₱9,308,923	₱46,418,744
Newly originated assets that remained in Stage 1 as at December 31, 2024	23,552,406	–	–	23,552,406
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024	–	489,856	1,227,300	1,717,156
Movements in receivable balance (excluding write-offs)	(21,373,023)	(621,800)	(659,257)	(22,654,080)
Transfers to Stage 1	159,734	(93,863)	(65,871)	–
Transfers to Stage 2	(368,095)	396,976	(28,881)	–
Transfers to Stage 3	(2,400,597)	(1,293,211)	3,693,808	–
Amounts written-off	–	–	(5,593,927)	(5,593,927)
Balances at end of year	₱34,439,079	₱1,119,125	₱7,882,095	₱43,440,299

Parent Bank – Other receivables

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱10,181,231	₱207,032	₱673,240	₱11,061,503
Newly originated assets that remained in Stage 1 as at December 31, 2024	5,068,188	–	–	5,068,188
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024	–	115,744	23,033	138,777
Movements in receivable balance (excluding write-offs)	(5,065,132)	(161,812)	(102,128)	(5,329,071)
Transfers to Stage 1	17,389	(10,396)	(6,992)	–
Transfers to Stage 2	(19,141)	32,143	(13,002)	–
Transfers to Stage 3	(66,173)	(10,044)	76,217	–
Amounts written-off	–	–	(73,246)	(73,246)
Balances at end of year	₱10,116,362	₱172,667	₱577,121	₱10,866,150



	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱10,847,410	₱239,451	₱774,038	₱11,860,899
Newly originated assets that remained in Stage 1 as at December 31, 2024	5,612,509	–	–	5,612,509
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2024	–	27,644	104,835	132,479
Movements in receivable balance (excluding write-offs)	(6,233,241)	(31,950)	(241,385)	(6,506,576)
Transfers to Stage 1	58,825	(22,119)	(36,706)	–
Transfers to Stage 2	(29,781)	48,929	(19,148)	–
Transfers to Stage 3	(74,491)	(54,923)	129,414	–
Amounts written-off	–	–	(37,808)	(37,808)
Balances at end of year	₱10,181,231	₱207,032	₱673,240	₱11,061,503

Investments and Placements

Movements in 2025 and 2024 for investments and placements follow. The balances presented include accrued interest receivables:

Group

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱484,642,567	₱3,688,300	₱–	₱488,330,867
Newly originated assets that remained in Stage 1 as at December 31, 2024	38,880,761	–	–	38,880,761
Newly originated assets that moved to Stage 2 as at December 31, 2024	–	–	–	–
Transfers to Stage 1	1,356,514	(1,356,514)	–	–
Transfers to Stage 2	(7,525,661)	7,525,661	–	–
Movements in the balance (excluding write-offs)	(57,226,616)	155,305	–	(57,071,311)
Balances at end of year	₱460,127,565	₱10,012,752	₱–	₱470,140,317

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱487,576,085	₱3,531,944	₱–	₱491,108,029
Newly originated assets that remained in Stage 1 as at December 31, 2024	98,403,316	–	–	98,403,316
Newly originated assets that moved to Stage 2 as at December 31, 2024	–	–	–	–
Movements in the balance (excluding write-offs)	(101,336,834)	156,356	–	(101,180,478)
Balances at end of year	₱484,642,567	₱3,688,300	₱–	₱488,330,867

Parent

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱434,285,657	₱3,688,300	–	₱437,973,957
Newly originated assets that remained in Stage 1 as at December 31, 2024	38,580,761	–	–	38,580,761
Newly originated assets that moved to Stage 2 as at December 31, 2024	–	–	–	–
Transfers to Stage 1	1,356,514	(1,356,514)	–	–
Transfers to Stage 2	(7,525,661)	7,525,661	–	–
Movements in the balance (excluding write-offs)	(56,664,115)	155,305	–	(56,508,810)
Balances at end of year	₱410,033,156	₱10,012,752	–	₱420,045,908



	2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱433,166,930	₱3,531,944	₱-	₱436,698,874
Newly originated assets that remained in Stage 1 as at December 31, 2024	56,958,003	-	-	56,958,003
Newly originated assets that moved to Stage 2 as at December 31, 2024	-	-	-	-
Movements in the balance (excluding write-offs)	(55,839,276)	156,356	-	(55,682,920)
Balance at end of year	₱434,285,657	₱3,688,300	₱-	₱437,973,957

Modification

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables from customers and SPURRA in order to mitigate risk. The collateral may be in the form of mortgages over real estate property, chattels, inventory, cash, securities and/or guarantees. The Bank regularly monitors and updates the fair value of the collateral depending on the type of credit exposure. Estimates of the fair value of collateral are considered in the review and assessment of the adequacy of allowance for credit losses. In general, the Bank does not require collateral for loans and advances to other banks, except when securities are held as part of reverse repurchase agreements.

An estimate of the fair value of collateral and other security enhancements held by the Group and the Parent Bank against loans and other receivables and SPURRA as of December 31, 2025 and 2024 is shown below:

	Group				Exposure after financial effect of collaterals
	Exposure before collaterals	Properties	Deposits	Others	
As of December 31, 2025	₱609,283,867	₱68,077,042	₱940,036	₱152,008,613	₱399,912,062
As of December 31, 2024	551,007,034	35,909,760	735,414	92,388,457	421,973,403

	Parent Bank				Exposure after financial effect of collaterals
	Exposure before collaterals	Properties	Deposits	Others	
As of December 31, 2025	₱447,445,068	₱63,647,940	₱817,348	₱104,902,371	₱278,077,409
As of December 31, 2024	419,671,843	31,810,298	596,274	83,650,244	303,615,027

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

The maximum exposure of the other financial assets of the Group and the Parent Bank represents the carrying value.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The Asset and Liability Committee (ALCO) and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations. A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.



Liquidity ratios are used to monitor and manage the Bank's liquidity. The MRC approves the ratios to be used for monitoring the performance of the Bank and for mapping out areas where improvements are needed. These ratios include Liquid Assets to Deposits Ratio, Liquidity Ratio, Leverage Ratio and Intermediation Ratio.

The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD. The Bank has separate limits for the short term (generally less than 30 days) and the medium term tenor (from 30 days to one year).

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the contractual date on which the asset will be realized and the liability will be settled. For financial assets at FVTPL, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized (amounts in millions).

	Group						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
2025							
<i>Financial assets</i>							
Cash and other cash items	₱11,419	₱-	₱-	₱-	₱-	₱-	₱11,419
Due from BSP	31,541	9,277	-	-	-	-	40,818
Due from other banks	35,315	-	-	-	-	-	35,315
Interbank loans receivable and SPURRA	-	41,182	-	-	-	-	41,182
	78,275	50,459	-	-	-	-	128,734
Financial assets at FVTPL							
Derivative assets	-	485	75	176	302	56	1,094
Debt securities	-	22,579	-	-	-	-	22,579
Equity securities	-	-	-	-	-	408	408
Financial assets at FVOCI							
Debt securities	-	221	99	351	978	50,805	52,454
Equity securities	-	-	-	-	-	300	300
Financial assets at amortized cost	-	3,153	1,861	5,004	17,175	395,623	422,816
	-	26,438	2,035	5,531	18,455	447,192	499,651
Loans and other receivables	1,749	70,857	71,030	53,947	74,993	304,228	576,804
Other receivables							
Accounts receivable	-	-	-	-	-	7,160	7,160
Accrued interest receivable	-	5,089	-	-	-	-	5,089
Sales contract receivable	3	24	32	45	108	2,994	3,206
	1,752	80,343	71,062	53,992	75,101	314,382	596,632
Other financial assets							
Returned checks and other cash items	-	137	-	-	-	-	137
Sundry debits	-	352	-	-	-	-	352
	-	489	-	-	-	-	489
Total assets	₱80,027	₱157,729	₱73,097	₱59,523	₱93,556	₱761,574	₱1,096,772
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	₱267,019	₱-	₱-	₱-	₱-	₱-	₱267,019
Savings	232,968	-	-	-	-	-	232,968
Time	296	120,031	56,696	15,668	18,136	24,650	235,477
	500,283	120,031	56,696	15,668	18,136	24,650	735,464
Bills payable	-	29,675	20,883	2,447	3,894	82,907	139,806
Notes and bonds payable	-	288	2,003	267	17,862	30,620	51,040
Manager's checks	7,205	-	-	-	-	-	7,205
Accrued interest payable	-	2,359	-	-	-	-	2,359
Accounts payable	-	11,491	-	-	-	-	11,491
Other liabilities	-	16,475	-	-	-	-	16,475
	507,488	180,319	79,582	18,382	39,892	138,177	963,840
<i>Derivative Liabilities</i>	1	1,438	151	287	595	25	2,497
Total liabilities	₱507,489	₱181,757	₱79,733	₱18,669	₱40,487	₱138,202	₱966,337



	Group						Total
	2024						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
<i>Financial assets</i>							
Cash and other cash items	₱10,144	₱-	₱-	₱-	₱-	₱-	₱10,144
Due from BSP	30,938	51,273	-	-	-	-	82,211
Due from other banks	33,891	-	-	-	-	-	33,891
Interbank loans receivable and SPURRA	-	1,882	-	-	-	-	1,882
	74,973	53,155	-	-	-	-	128,128
<i>Financial assets at FVTPL</i>							
Derivative assets	-	430	21	66	237	838	1,592
Debt securities	-	7,760	-	-	-	-	7,760
Equity securities	-	-	-	-	-	1,140	1,140
<i>Financial assets at FVOCI</i>							
Debt securities	-	373	143	351	1,041	52,597	54,505
Equity securities	-	-	-	-	-	300	300
<i>Financial assets at amortized cost</i>							
	-	1,566	2,724	7,827	31,361	403,951	447,429
	-	10,129	2,888	8,244	32,639	458,760	512,660
Loans and other receivables	-	70,381	76,697	55,196	70,160	310,161	582,595
<i>Other receivables</i>							
Accounts receivable	-	10,730	-	-	-	-	10,730
Accrued interest receivable	-	4,942	-	-	-	-	4,942
Sales contract receivable	-	32	53	65	131	3,107	3,388
	-	81,143	76,750	55,261	70,291	320,802	604,247
<i>Other financial assets</i>							
Returned checks and other cash items	-	53	-	-	-	-	53
Sundry debits	-	1,934	-	-	-	-	1,934
	-	1,987	-	-	-	-	1,987
Total assets	₱74,973	₱146,414	₱79,638	₱63,505	₱102,930	₱779,562	₱1,247,022
<i>Non-derivative liabilities</i>							
<i>Deposit liabilities</i>							
Demand	₱231,378	₱-	₱-	₱-	₱-	₱-	₱231,378
Savings	215,543	-	-	-	-	-	215,543
Time	580	132,044	42,218	17,544	13,117	27,581	233,084
	447,501	132,044	42,218	17,544	13,117	27,581	680,005
Bills payable	-	45,226	42,371	394	37,281	45,137	170,409
Notes and bonds payable	-	61	397	17,721	17,879	31,881	67,939
Manager's checks	8,494	-	-	-	-	-	8,494
Accrued interest payable	-	2,809	-	-	-	-	2,809
Accounts payable	-	9,139	-	-	-	-	9,139
Other liabilities	-	21,532	-	-	-	-	21,532
	455,995	210,811	84,986	35,659	68,277	104,599	960,327
<i>Derivative Liabilities</i>	-	472	299	350	640	1,875	3,636
Total liabilities	₱455,995	₱211,283	₱85,285	₱36,009	₱68,917	₱106,474	₱963,963

	Parent Bank						Total
	2025						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
<i>Financial assets</i>							
Cash and other cash items	₱10,359	₱-	₱-	₱-	₱-	₱-	₱10,359
Due from BSP	31,274	2,001	-	-	-	-	33,275
Due from other banks	34,165	-	-	-	-	-	34,165
Interbank loans receivable and SPURRA	-	10,222	-	-	-	-	10,222
	75,798	12,223	-	-	-	-	88,021
<i>Financial assets at FVTPL</i>							
Derivative assets	-	485	75	176	302	56	1,094
Debt securities	-	22,579	-	-	-	-	22,579
Equity securities	-	-	-	-	-	350	350
<i>Financial assets at FVOCI</i>							
Debt securities	-	221	99	351	978	50,784	52,433
Equity securities	-	-	-	-	-	58	58
<i>Financial assets at amortized cost</i>							
	-	3,002	1,800	4,970	16,870	383,316	409,958
	-	26,229	1,974	5,497	18,150	434,564	486,414
Loans and other receivables	-	67,331	63,854	43,560	56,844	208,854	440,443
<i>Other receivables</i>							
Accounts receivable	-	-	-	-	-	3,305	3,305
Accrued interest receivable	-	7,630	-	-	-	-	7,630
Sales contract receivable	-	15	25	36	67	2,844	2,987
	-	74,976	63,879	43,596	56,911	215,003	454,365

(Forward)



	Parent Bank						Total
	2025						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Other financial assets							
Returned checks and other cash items	P-	P137	P-	P-	P-	P-	P137
Sundry debits	-	266	-	-	-	-	266
	-	403	-	-	-	-	403
Total assets	P75,798	P115,500	P65,853	P49,093	P75,061	P649,567	P1,030,872
Non-derivative liabilities							
Deposit liabilities							
Demand	P267,585	P-	P-	P-	P-	P-	P267,585
Savings	224,540	-	-	-	-	-	224,540
Time	152	81,957	33,693	6,715	2,900	3,201	128,618
	492,277	81,957	33,693	6,715	2,900	3,201	620,743
Bills payable	-	29,660	20,782	370	717	51,513	103,042
Notes and bonds payable	-	248	1,159	267	17,862	17,778	37,314
Manager's checks	7,204	-	-	-	-	-	7,204
Accrued interest payable	-	1,478	-	-	-	-	1,478
Accounts payable	-	9,784	-	-	-	-	9,784
Other liabilities	-	14,557	-	-	-	-	14,557
	499,481	137,684	55,634	7,352	21,479	72,492	794,122
Derivative liabilities	1	1,438	151	287	595	25	2,497
Total liabilities	P499,482	P139,122	P55,785	P7,639	P22,074	P72,517	P796,619

	Parent Bank						Total
	2024						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial assets							
Cash and other cash items	P9,270	P-	P-	P-	P-	P-	P9,270
Due from BSP	29,212	20,018	-	-	-	-	49,230
Due from other banks	31,140	-	-	-	-	-	31,140
Interbank loans receivable and SPURRA	-	180	-	-	-	-	180
	69,622	20,198	-	-	-	-	89,820
Financial assets at FVTPL							
Derivative assets	-	430	21	66	237	838	1,592
Debt securities	-	7,494	-	-	-	-	7,494
Equity securities	-	-	-	-	-	1,074	1,074
Financial assets at FVOCI							
Debt securities	-	373	143	351	1,041	52,576	54,484
Equity securities	-	-	-	-	-	58	58
Financial assets at amortized cost							
	-	1,414	2,663	7,794	31,097	391,560	434,528
	-	9,711	2,827	8,211	32,375	446,106	499,230
Loans and other receivables	-	66,358	68,785	45,579	54,478	209,517	444,717
Other receivables							
Accounts receivable	-	7,990	-	-	-	-	7,990
Accrued interest receivable	-	4,778	-	-	-	4,778	4,778
Sales contract receivable	-	28	48	60	117	2,956	3,209
	-	74,376	68,833	45,639	54,595	217,251	460,694
Other financial assets							
Returned checks and other cash items	-	53	-	-	-	-	53
Sundry debits	-	1,602	-	-	-	-	1,602
	-	1,988	-	-	-	-	1,988
Total assets	P69,622	P106,273	P71,660	P53,850	P86,970	P662,792	P1,051,167
Non-derivative liabilities							
Deposit liabilities							
Demand	P232,683	P-	P-	P-	P-	P-	P232,683
Savings	208,382	-	-	-	-	-	208,382
Time	148	94,455	25,332	8,555	2,798	785	132,073
	441,213	94,455	25,332	8,555	2,798	785	573,138
Bills payable	-	45,216	32,567	394	28,165	23,251	129,593
Notes and bonds payable	-	61	397	17,721	17,879	18,285	54,343
Manager's checks	8,488	-	-	-	-	-	8,488
Accrued interest payable	-	1,593	-	-	-	-	1,593
Accounts payable	-	7,860	-	-	-	-	7,860
Other liabilities	-	19,733	-	-	-	-	19,733
	449,701	168,918	58,296	26,670	48,842	42,321	794,748
Derivative liabilities	-	472	299	350	640	1,875	3,636
Total liabilities	P449,701	P169,390	P58,595	P27,020	P49,482	P44,196	P798,384



BSP Reporting*Liquidity Coverage Ratio (LCR)*

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with Basel III framework. The LCR is calculated as the ratio of stock of high quality liquid assets (HQLA) over the total net cash outflows over the next 30 calendar days, which should not be lower than 100%. The Group is required to disclose information related to the liquidity coverage ratio (LCR) in a single currency and on solo and consolidated basis.

The Group's and the Parent Bank's LCR as of December 31, 2025 and 2024 follows (amounts in millions):

	December 31, 2025	
	Group	Parent Bank
Total HQLA	₱308,002	₱258,388
Total net cash outflows	118,361	88,932
LCR Ratio	260.22%	290.55%

	December 31, 2024	
	Group	Parent Bank
Total HQLA	₱281,602	₱236,519
Total net cash outflows	112,682	88,517
LCR Ratio	249.91%	267.20%

Net Stable Funding Ratio (NSFR)

BSP Circular No. 1007 provides the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR). The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short-term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. As of December 31, 2025 and 2024, the NSFR was at 134.73% and 127.89%, respectively, for the Group, and at 134.25% and 127.70%, respectively, for the Parent Bank.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.

The Parent Bank applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Bank uses a 10-day 99% VaR historical simulation with full revaluation approach. The historical simulation with full revaluation approach is the general market accepted methodology in the measurement of VaR. This methodology recalculates the market value of each financial



product for each scenario by applying simulated risk factors based on historical movements to the market-accepted valuation methodology defined for each product.

VaR may also be underestimated or overestimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Parent Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Parent Bank's VaR model.

Since VaR is an integral part of the Parent Bank's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits and are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Parent Bank.

A summary of the Parent Bank's VaR position at December 31, 2025 and 2024 follows (amounts in millions of Philippine pesos)

	Foreign Exchange	Interest Rate	Equity	Total VaR
2025	₱162.6	₱1,223.3	₱-	₱1,389.1
Average daily	175.1	1,703.9	-	1,879.6
Highest	321.7	2,620.0	-	2,805.4
Lowest	84.4	1,125.2	-	1,346.1
2024	₱217.9	₱1,943.1	₱-	₱2,161.0
Average daily	334.4	2,178.8	-	2,513.2
Highest	836.9	2,930.6	-	3,476.3
Lowest	19.1	1,798.6	-	1,903.9

The high and low of the total portfolio may not equal to the sum of the individual components as the highs and lows of the individual portfolios may have occurred on different trading days.

Interest Rate Risk

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). The ALCO establishes appropriate asset and liability pricing in support of the Bank's balance sheet objectives.

The Group employs "gap analysis" to measure rate-sensitivity of the income and expenses, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every month. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets, and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest-sensitive assets, liabilities and off-balance sheet items based on the current balance sheet composition into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is



then multiplied by the assumed interest rate shock and appropriate time factor to derive the EaR per tenor. The 1st year (one-year) EaR is derived from the summation of the EaR per tenor within one year is subject to the established EaR limit per currency. EaR limits are reviewed and updated regularly to ensure that the risks brought by the changes in the balance sheet and liquidity strategies are within the risk appetite of the Bank.

The Bank also calculates EaR for the 2nd and 3rd years in order to measure medium-term vulnerabilities, i.e., those occurring in the 2nd and 3rd years. In addition, EaR is also calculated based on the current balance sheet composition plus projections to provide additional valuable insights in managing IRRBB. However, these are not subject to the EaR limit but are for monitoring purposes only.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

A positive gap occurs when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities while a negative gap occurs when the amount of interest rate-sensitive liabilities exceeds the amount of interest rate-sensitive assets. Accordingly, during a period of rising interest rates, an entity with a positive gap will have more interest rate-sensitive assets repricing at a higher interest rate than interest rate-sensitive liabilities which will be favorable to it. During a period of falling interest rates, an entity with a positive gap will have more interest rate-sensitive assets repricing at a lower interest rate than interest rate sensitive liabilities, which will be unfavorable to it.

The asset-liability gap position of the Group and Parent Bank at carrying amounts follows (amounts in millions of Philippine pesos):

	Group 2025			Total
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱191,293	₱59,709	₱286,680	₱537,682
Placements	85,745	–	31,541	117,286
Investments	8,619	10,287	353,079	371,985
	285,657	69,996	671,300	1,026,953
<i>Liabilities</i>				
Deposit liabilities	192,829	17,805	523,400	734,034
Bills payable	92,378	1,696	37,936	132,010
Notes and bonds payable	9,246	16,997	13,419	39,662
	294,453	36,498	574,755	905,706
Asset-Liability Gap	(₱8,796)	₱33,498	₱96,545	₱121,247

	Group 2024			Total
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	₱187,008	₱55,944	₱279,704	₱522,656
Placements	86,977	–	30,939	117,916
Investments	7,401	23,361	342,459	373,221
	281,386	79,305	653,102	1,013,793
<i>Liabilities</i>				
Deposit liabilities	128,386	11,311	536,626	676,323
Bills payable	126,004	14,215	22,037	162,256
Notes and bonds payable	25,697	17,333	14,536	57,566
	280,087	42,859	573,199	896,145
Asset-Liability Gap	₱1,299	₱36,446	₱79,903	₱117,648



Parent Bank				
2025				
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
<i>Resources</i>				
Loans	₱175,668	₱46,157	₱196,065	₱417,890
Placements	46,381	–	31,273	77,654
Investments	8,069	10,287	343,017	361,373
	230,118	56,444	570,355	856,917
<i>Liabilities</i>				
Deposit liabilities	122,176	2,804	495,167	620,147
Bills payable	90,266	–	10,158	100,424
Notes and bonds payable	9,683	16,997	6,695	33,375
	222,125	19,801	512,020	753,946
Asset-Liability Gap	₱7,993	₱36,643	₱58,335	₱102,971

Parent Bank				
2024				
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
<i>Resources</i>				
Loans	₱172,498	₱43,604	₱190,079	₱406,181
Placements	51,319	–	29,212	80,531
Investments	7,512	23,452	331,705	362,669
	231,329	67,056	550,996	849,381
<i>Liabilities</i>				
Deposit liabilities	64,411	1,070	507,001	572,482
Bills payable	116,296	5,531	4,343	126,170
Notes and bonds payable	25,697	17,333	8,694	51,724
	206,404	23,934	520,038	750,376
Asset-Liability Gap	₱24,925	₱43,122	₱30,958	₱99,005

EAR is complemented by stress tests which are conducted quarterly. It involves subjecting the total interest rate-sensitive assets and liabilities within one year to probable short-term and medium-term interest rate movements, assuming parallel and non-parallel shifts (flattener, steeper, short rates up and short rates down) in the yield curve.

Additionally, the Bank also monitors long-term sensitivity to interest rate risk of the Bank's balance sheet through the Delta Economic Value of Equity (EVE) method at least on a monthly basis. EVE measures the economic value which provides a more comprehensive view of potential long-term effects of changes in interest rates. EVE is defined as the net cash flows of the Bank's assets and liabilities which affect the Bank's capital. Delta EVE is calculated as the change in the Bank's long-term economic value assuming certain interest rate shocks.

Similar to EAR, EVE is also complemented by stress tests conducted quarterly. It involves subjecting the Bank's total interest rate sensitive assets and liabilities to probable short, medium and long-term interest rate movements, assuming parallel and non-parallel (flattener, steeper, short rates up and short rates down) in the yield curve.

The Bank's interest rate-sensitive asset and liability positions are analyzed based on its cash flows, and its present value are computed using appropriate market rates which include the current risk-free rate plus the corresponding margin. On the other hand, the present values of non-interest sensitive assets and liabilities will be kept at their carrying values.

The Bank's IRRBB models and its assumptions are validated by an independent party prior to use. The Bank's risk management program includes measuring and monitoring the risks



associated with fluctuations in market interest rates on its net interest income and capital ensuring that the exposures in interest rates are kept within acceptable limits.

The following table sets out the impact of changes in interest rates on the Group's and Parent Bank's net interest income (amounts in millions of Philippine pesos):

Increase (decrease) in interest rates (in basis points)	Group		Parent Bank	
	100	(100)	100	(100)
2025				
Change in annualized net interest income	(₱783)	₱783	(₱611)	₱611
As a percentage of net interest income	(1.2%)	1.2%	(1.2%)	1.2%
2024				
Change in annualized net interest income	(₱1,168)	₱1,168	(₱922)	₱922
As a percentage of net interest income	(2.01%)	2.01%	(2.05%)	2.05%

This sensitivity analysis is performed for risk management purposes and assumes no other changes in the repricing structure. Actual changes in net interest income may vary from the Bank's internal model.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

The breakdown of the financial resources and financial liabilities of the Group and the Parent Bank as to foreign currency-denominated balances (excluding FCDU USD-denominated financial resources and liabilities, which functional currency is in USD), translated to Philippine pesos as of December 31, 2025 and 2024 is shown below:

	Group		
	2025		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱71,221	₱143,912	₱215,133
Due from other banks	4,297,470	1,662,895	5,960,365
Interbank loans receivables and SPURRA	–	215,662	215,662
Financial assets at FVTPL	–	520	520
Financial assets at amortized cost	–	2,185,652	2,185,652
Loans and other receivables	2,909,799	98,668	3,008,467
Other resources	5,628,583	135,057	5,763,640
	12,907,073	4,442,366	17,349,439
<i>Liabilities:</i>			
Deposit liabilities	–	44,949,917	44,949,917
Bills payable	2,726,566	19,363,737	22,090,303
Notes and bonds payable	7,565,577	–	7,565,577
Derivative liabilities	–	29,112	29,112
Accrued interest and other expenses	204,466	16,952	221,418
Other liabilities	168,003	178,996	346,999
	10,664,612	64,538,714	75,203,326
Currency swaps and forwards	(6,959,617)	60,324,250	53,364,633
Net exposure	(₱4,717,156)	₱227,902	(₱4,489,254)



	Group		
	2024		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱227,347	₱174,956	₱402,303
Due from other banks	6,334,453	2,651,599	8,986,052
Interbank loans receivables and SPURRA	–	178,992	178,992
Financial assets at FVTPL	–	4,689	4,689
Financial assets at amortized cost	–	1,891,812	1,891,812
Loans and other receivables	2,515,371	110,651	2,626,022
Other resources	–	14,901,066	14,901,066
	9,077,171	19,913,765	28,990,936
<i>Liabilities:</i>			
Deposit liabilities	–	18,384,432	18,384,432
Bills payable	8,296,324	16,497,600	24,793,924
Notes and bonds payable	7,230,625	–	7,230,625
Derivative liabilities	–	1,419	1,419
Accrued interest and other expenses	326,323	4,876	331,199
Other liabilities	41,960,068	14,858,186	56,818,254
	57,813,340	49,746,513	107,559,853
Currency swaps and forwards	49,212,592	29,868,664	79,081,256
Net exposure	₱476,423	₱35,916	₱512,339

	Parent Bank		
	2025		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱–	₱143,248	₱143,248
Due from other banks	4,106,738	1,662,504	5,769,242
Interbank loans receivable	–	215,662	215,662
Financial assets at FVTPL	–	520	520
Financial assets at amortized cost	–	2,185,652	2,185,652
Loans and other receivables	2,433,254	98,668	2,531,922
Other assets	5,628,583	135,057	5,763,640
	12,168,575	4,441,311	16,609,886
<i>Liabilities:</i>			
Deposit liabilities	–	44,949,917	44,949,917
Bills payable	2,726,566	19,363,737	22,090,303
Notes and bonds payable	7,348,750	–	7,348,750
Derivative liabilities	–	29,112	29,112
Accrued interest and other expenses	200,192	16,952	217,144
Other liabilities	76,701	178,551	255,252
	10,352,209	64,538,269	74,890,478
Currency swaps and forwards	(6,959,617)	60,324,250	53,364,633
Net exposure	(₱5,143,251)	₱227,292	(₱4,915,959)

	Parent Bank		
	2024		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱134,982	₱174,374	₱309,356
Due from other banks	6,161,554	2,651,437	8,812,991
Interbank loans receivable and SPURRA	–	178,992	178,992
Financial assets at FVTPL	–	4,689	4,689
Financial assets at amortized cost	–	1,891,812	1,891,812
Loans and other receivables	2,014,335	110,651	2,124,986
Other assets	–	14,901,066	14,901,066
	8,310,871	19,913,021	28,223,892
<i>Liabilities:</i>			
Deposit liabilities	–	18,384,432	18,384,432
Bills payable	8,296,324	16,497,600	24,793,924
Notes and bonds payable	7,230,625	–	7,230,625
Derivative liabilities	–	1,419	1,419
Accrued interest and other expenses	323,404	4,876	328,280
Other liabilities	41,811,209	14,857,407	56,668,616
	57,661,562	49,745,734	107,407,296
Currency swaps and forwards	49,212,592	29,868,664	79,081,256
Net exposure	(₱138,099)	₱35,951	(₱102,148)



The Parent Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Bank believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Parent Bank is involved.

The following table illustrates the sensitivity of the net results and capital funds to the changes in foreign exchange rates on the Parent Bank's financial assets and financial liabilities in the RBU. The percentages change (increase and decrease) have been determined based on the average market volatility in exchange rates in the previous 12 months, using a confidence level of 99%.

The sensitivity analysis is based on the Parent Bank's foreign currency-denominated financial instruments held at each reporting date, including currency swaps and forwards.

	2025		2024	
	% Change	Effect on Net Profit For the Year	% Change	Effect on Net Profit For the Year
U.S. dollars	1.0%	(¥51,433)	1.0%	(¥157,827)
Japanese yen	1.5%	(494)	2.0%	(918,474)
Euros	1.5%	4,059	1.0%	6,309
Others	1.3%	(141)	1.1%	4,364

Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Bank's Operational Risk Management (ORM) Framework and Manual are aligned with the overall business strategy of the Bank. Specifically, this aims to ensure that the Bank has a robust operational risk culture by embedding risk awareness and consciousness in each of the business and functional units in line with BSP's Circular No. 900, *Guidelines on ORM*. Further, the framework aims to standardize the risk management, monitoring and reporting of operational risk across the Bank. The ORM Framework forms part of the enterprise-wide risk management system and supports the Bank's overall risk governance structure.

Key to the effective implementation of the ORM Framework is a governance structure that transparently defines the lines of responsibility from the Board down to the business and functional unit as follows:

Operational Risk Management Committee (ORMC)

The ORMC is a Board-level committee whose principal responsibility is to review risk management policies and practices relating to bank-wide operational risk.

Operational Risk Management (ORM)

ORM, as the second line of defense, shall support management in its endeavor to oversee the operational risks of the Bank, including integration of environment and sustainability related operational risk requirements, and ensure that operational risk policies and procedures are designed and executed adequately and consistently across the organization. ORM reports directly to the Chief Risk Officer. In performing its second line role, ORM supports and challenges management, and provides independent monitoring and reporting on adherence to operational risk policies and frameworks.



Senior Management

Senior Management ensures the implementation of Board-approved operational risk policies, maintains the supporting internal control environment, allocates adequate resources, and ensures effective escalation, monitoring, and reporting are in place across the Bank.

Business/Functional Unit

Business and functional units act as the first line of defense where the responsibility to manage risks resides. It sees to it that the controls and practices implemented within the lines of operations conform to the enterprise-wide policies and procedures that address operational risks.

Other Operational Risk-related Functions

Specialist departments e.g., Legal Division, CCGO, Human Resources Group, Enterprise Fraud Management Division, Information Security Office, and Financial Controllership functions have dual responsibilities to manage both the operational risks within their own functions as well as provide support to other departments for ORM.

The Bank has a mechanism in place for operational risk identification and assessment, risk measurement, risk control/mitigation, and risk monitoring and reporting. There is regular monitoring of its operational risk profiles and material exposures to losses to ensure that it is still within the approved thresholds. In doing so, it utilizes operational risk tools (Risk and Control Self-Assessment, Key Risk Indicator, Incident Report, Issue Management & Remediation, New Product/ Process Risk Assessment) to assess the adequacy of controls and mitigants to address identified risks appropriately. The Bank maintains loss data and classifies operational loss events to support root-cause analysis and continuous improvement of controls.

Legal Risk and Regulatory Risk Management

Legal risk pertains to the Parent Bank's exposure to losses arising from cases decided not in favor of the Parent Bank where significant legal costs have already been incurred, or in some instances, where the Parent Bank may be required to pay damages. The Parent Bank is involved in litigation to enforce its collection rights under loan agreements in case of borrower default. The Parent Bank may incur significant legal expenses as a result of these events, but the Parent Bank may still end up being unable to collect or enforce its claims, depending on the outcome of litigation.

The Parent Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors who were endorsed to and carefully approved by senior management. At year-end, the Parent Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies that may arise from legal proceedings involving the Parent Bank.

Regulatory risk refers to the potential risk for the Parent Bank and its subsidiaries to suffer financial loss due to changes in the laws, monetary, tax, or other governmental regulations of the country. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. While the proper and consistent implementation of these rules and regulations is the primary responsibility of the respective units within the Bank and its subsidiaries, the monitoring of the latter's compliance with these regulations rests on the entity's CCO. The study of the potential impact of new laws and regulations is coordinated by the CCO with the Legal Group. The CCO is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing potential compliance issues, performing periodic compliance testing, and regularly reporting to the CGC and the BOD.



5. Capital Management

Regulatory Capital

As the Parent Bank's regulator, the BSP sets and monitors capital requirements of the Parent Bank.

In implementing current capital requirements, the BSP requires the Group and the Parent Bank to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets, known as the "capital adequacy ratio" (CAR). Risk-weighted assets is the aggregate value of assets weighted by credit risk, market risk, and operational risk, based on BSP-prescribed formula provided under BSP Circular No. 360 and BSP Circular No. 538 which contain the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations.

Effective January 1, 2014, the BSP has adopted the risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for the Philippine banking system in accordance with the Basel III standards through BSP Circular No. 781. The adopted Basel III risk-based capital adequacy framework requires the Group to maintain:

- (a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
- (b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
- (c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
- (d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

On November 29, 2018, the BSP amended the requirements of Subsection X115.1 of the Manual for Regulations for Banks (MORB) through BSP Circular No. 1024. The amendment requires the Group and the Parent Bank to maintain, with respect to the CET 1 requirement, in addition to the minimum, the following capital buffers:

- (a) Capital conservation buffer (CCB) of 2.5%; and
- (b) Countercyclical capital buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed to 2.5%

The Group's and the Parent Bank's regulatory capital position as of December 31, 2025 and 2024, as reported to the BSP, follow (amounts in millions):

	Group		Parent Bank	
	2025	2024	2025	2024
Common Equity Tier 1 Capital				
Paid-up common stock	₱33,164	₱33,164	₱33,164	₱33,164
Additional paid in capital	64,368	64,368	64,368	64,368
Surplus free	89,291	81,345	92,092	83,573
Undivided profits	9,292	11,556	10,184	12,089
Other comprehensive income/(loss)	(2,529)	(3,089)	(2,786)	(3,088)
Minority interest in financial allied subsidiary	821	872	-	-
Sub-total	194,407	188,216	197,022	190,106
Less Regulatory Adjustments:				
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	223	362	645	1,204
Deferred income tax	10,576	9,811	7,264	6,767
Goodwill	48,297	48,570	43,340	43,340
Other intangible assets	20,877	17,029	18,471	14,487
Investments in equity of consolidated subsidiary banks and quasi banks, and other financial allied undertakings	-	-	37,738	37,432
Total regulatory adjustments to Common Equity Tier 1 capital	79,973	75,772	107,458	103,230
Total Common Equity Tier 1 capital	114,434	112,444	89,564	86,876
Total Tier 1 capital	114,434	112,444	89,564	86,876

(Forward)



	Group		Parent Bank	
	2025	2024	2025	2024
Tier 2 Capital				
General loan loss provision	₱6,285	₱5,580	₱4,920	₱4,702
Unsecured subordinated debt	–	6,768	–	6,768
Total Tier 2 capital	6,285	12,348	4,920	11,470
Net Tier 1 capital	114,434	112,444	89,564	86,876
Net Tier 2 capital	6,285	12,348	4,920	11,470
Total qualifying capital	120,791	124,792	94,484	98,346
Credit risk-weighted assets	628,309	610,396	491,825	475,977
Market risk-weighted assets	12,372	14,665	12,266	14,543
Operational risk-weighted assets	120,516	95,571	92,030	71,031
Total risk-weighted assets	₱761,196	₱720,632	₱596,121	₱561,551

Capital ratios:

Total regulatory capital expressed as percentage of total risk weighted assets	15.86%	17.32%	15.85%	17.51%
Total Tier 1 expressed as percentage of total risk-weighted assets	15.03%	15.60%	15.02%	15.47%
Total Common Equity Tier 1 expressed as percentage of total risk-weighted assets	15.03%	15.60%	15.02%	15.47%
Conservation buffer	9.03%	9.60%	9.02%	9.47%

The Group and the Parent Bank have fully complied with the CAR requirements of the BSP on both solo and consolidated bases.

The breakdown of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets follow (amounts in millions):

	Group		Parent Bank	
	2025	2024	2025	2024
On-books assets	₱614,109	₱596,464	₱477,628	₱462,066
Off-books assets	6,821	7,143	6,799	7,122
Counterparty risk-weighted assets:				
in the banking books	5,052	5,738	5,052	5,738
in the trading books	2,515	1,051	2,515	1,051
Gross Credit Risk-Weighted Assets	628,497	610,396	491,994	475,977
Excess of amount permitted in upper Tier 2	188	–	169	–
Total Credit Risk-Weighted Assets	₱628,309	₱610,396	₱491,825	₱475,977
Capital Requirements	₱62,831	₱61,040	₱49,183	₱47,598
Interest rate exposures	₱9,263	₱10,642	₱9,263	₱10,642
Equity exposures	–	892	–	892
Foreign exchange exposures	3,109	3,131	3,003	3,009
Total Market Risk-Weighted Assets	₱12,372	₱14,665	₱12,266	₱14,543
Capital Requirements	₱1,237	₱1,467	₱1,227	₱1,454
Total Operational Risk-Weighted Assets - Basic indicator	₱120,515	₱95,571	₱92,030	₱71,031
Capital Requirements	₱12,052	₱9,557	₱9,203	₱7,103

The total credit exposure broken down by type of exposures and risk weights follow (amounts in millions):

	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	Group 2025			Total Weighted Assets
			0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
Cash on hand	₱11,413	₱11,413	₱11,413	₱–	₱–	₱–
Checks and other cash items	6	6	6	–	–	1
Due from BSP	40,835	40,835	40,835	–	–	–
Due from other banks	34,137	34,137	33,914	223	–	15,481
Financial assets at FVTPL	35	35	–	35	–	35
Financial assets at FVOCI	39,921	39,921	39,621	300	–	302
Financial assets at amortized cost	312,883	301,762	257,712	44,050	–	60,374
Loans and receivables	523,421	522,136	67,445	441,023	13,668	483,645

(Forward)



	Group					Total Weighted Assets
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
2025						
SPURRA	₱40,947	₱8,189	₱8,189	₱-	₱-	₱-
Sales contract receivable (SCR)	2,166	2,166	-	764	1,402	2,868
ROPA	5,743	5,743	-	-	5,743	8,614
Other assets	39,830	39,830	-	39,830	-	39,830
Total risk-weighted on-books assets not covered by CRM	1,051,337	1,006,173	459,135	526,225	20,813	611,150
Total risk-weighted on-books assets covered by CRM	-	45,164	45,164	-	-	2,959
	₱1,051,337	₱1,051,337	₱504,299	₱526,225	₱20,813	₱614,109
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱3,929	₱-	₱-	₱3,929	₱-	₱3,929
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	₱1,985	₱-	₱-	₱993	₱-	₱993
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	9,495	-	-	1,899	-	1,899
	₱15,409	₱-	₱-	₱6,821	₱-	₱6,821
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱90,418	₱10,226	₱10,226	₱-	₱-	₱5,052
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱3,601	₱1	₱1	₱-	₱-	₱-
Exchange Rate Contracts	139,389	3,441	1,773	1,668	-	2,515
Total	₱142,990	₱3,442	₱1,774	₱1,668	₱-	₱2,515

	Group					Total Weighted Assets
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
2024						
Risk-Weighted On-Books Assets						
Cash on hand	₱10,116	₱10,116	₱10,116	₱-	₱-	₱-
Checks and other cash items	27	27	27	-	-	5
Due from BSP	82,205	82,205	82,205	-	-	-
Due from other banks	33,891	33,891	32,959	932	-	14,803
Financial assets at FVTPL	237	237	-	237	-	237
Financial assets at FVOCI	40,102	40,102	39,802	300	-	302
Financial assets at amortized cost	327,479	316,480	268,853	47,627	-	61,569
Loans and receivables	504,656	503,232	78,129	408,679	16,424	455,931
SPURRA	1,701	340	340	-	-	-
Sales contract receivable (SCR)	2,377	2,377	-	1,067	1,310	3,032
ROPA	5,628	5,628	-	-	5,628	8,442
Other assets	49,059	49,059	-	49,059	-	49,059
Total risk-weighted on-books assets not covered by CRM	1,057,478	1,043,694	512,431	507,901	23,362	593,380
Total risk-weighted on-books assets covered by CRM	-	13,784	13,784	-	-	3,084
	₱1,057,478	₱1,057,478	₱526,215	₱507,901	₱23,362	₱596,464
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱3,427	₱-	₱-	₱3,427	₱-	₱3,427
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	₱2,077	₱-	₱-	₱1,038	₱-	₱1,038
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	13,388	-	-	2,678	-	2,678
	₱18,892	₱-	₱-	₱7,143	₱-	₱7,143

(Forward)



	Group					Total Weighted Assets
	2024					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱115,819	₱11,088	₱10,641	₱447	₱-	₱5,738
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱-	₱-	₱-	₱-	₱-	₱-
Exchange Rate Contracts	27,279	1,581	1,022	559	-	1,051
Total	₱27,279	₱1,581	₱1,022	₱559	₱-	₱1,051

	Parent Bank					Total Weighted Assets
	2025					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
Cash on hand	₱10,359	₱10,359	₱10,359	₱-	₱-	₱-
Cash and other cash items	-	-	-	-	-	-
Due from BSP	33,274	33,274	33,274	-	-	-
Due from other banks	32,987	32,987	32,981	6	-	14,797
Financial asset at FVTPL	-	-	-	-	-	-
Financial assets at FVOCI	39,659	39,659	39,601	58	-	58
Financial assets at amortized cost	302,446	291,326	247,276	44,050	-	60,356
Loans and other receivables	408,240	407,211	67,199	333,252	6,760	365,759
SPURRA	10,000	2,000	2,000	-	-	-
SCR	2,020	2,020	-	703	1,317	2,678
ROPA	4,418	4,418	-	-	4,418	6,627
Other assets	24,434	24,434	-	24,434	-	24,434
Total risk-weighted on-books assets not covered by CRM	867,837	847,688	432,690	402,503	12,495	474,709
Total risk-weighted on-books assets covered by CRM	-	20,149	20,149	0	0	2,919
	₱867,837	₱867,837	₱452,839	₱402,503	₱12,495	₱477,628
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱3,929	₱-	₱-	₱3,929	₱-	₱3,929
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	1,985	-	-	993	-	993
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	9,385	-	-	1,877	-	1,877
	₱15,299	₱-	₱-	₱6,799	₱-	₱6,799
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱90,418	₱10,226	₱10,226	₱-	₱-	₱5,052
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱3,601	₱1	₱1	₱-	₱-	₱-
Exchange Rate Contracts	139,389	3,441	1,773	1,668	-	2,515
Total	₱142,990	₱3,442	₱1,774	₱1,668	₱-	₱2,515



	Parent Bank					
	2024					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱9,270	₱9,270	₱9,270	₱ –	₱ –	₱ –
Cash and other cash items	–	–	–	–	–	–
Due from BSP	49,227	49,227	49,227	–	–	–
Due from other banks	31,140	31,140	30,377	763	–	13,343
Financial asset at FVTPL	–	–	–	–	–	–
Financial assets at FVOCI	39,841	39,841	39,783	58	–	58
Financial assets at amortized cost	317,313	306,314	258,687	47,627	–	61,551
Loans and other receivables	394,438	393,272	77,919	307,314	8,039	342,353
SPURRA	–	–	–	–	–	–
SCR	2,257	2,257	–	1,004	1,253	2,883
ROPA	4,306	4,306	–	–	4,306	6,459
Other assets	32,375	32,375	–	32,375	–	32,375
Total risk-weighted on-books assets not covered by CRM	880,167	868,002	465,263	389,141	13,598	459,022
Total risk-weighted on-books assets covered by CRM	–	12,165	12,165	–	–	3,044
	₱880,167	₱880,167	₱477,428	₱389,141	₱13,598	₱462,066
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱3,427	₱–	₱–	₱3,427	₱–	₱3,427
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	2,077	–	–	1,038	–	1,038
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	13,285	–	–	2,657	–	2,657
	₱18,789	₱–	₱–	₱7,122	₱–	₱7,122
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱115,819	₱11,088	₱10,641	₱447	₱–	₱5,738
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱–	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	27,279	1,581	1,022	559	–	1,051
Total	₱27,279	₱1,581	₱1,022	₱559	₱–	₱1,051

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government and those guarantors and exposures with the highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations and Corporates.

Minimum Capital Requirement

Under the relevant provisions of current BSP regulations, the required minimum capitalization of a universal bank is ₱20.0 billion both as of December 31, 2025 and 2024. As of those dates, the Bank is in compliance with these regulations.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.



The details of the BLR as of December 31, 2025 and 2024 follow (amounts in millions, except for percentages):

	Consolidated		Parent Bank	
	2025	2024	2025	2024
Tier 1 Capital	₱114,434	₱112,444	₱89,564	₱86,876
Exposure Measure	1,142,987	1,129,483	959,465	952,152
BLR	10.01%	9.96%	9.33%	9.12%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Ensuring Sufficient Capital

On January 15, 2009, the BSP issued Circular No. 639, which articulates the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks, as well as maintain capital adequate to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which only covers credit, market and operational risks.

Cognizant of the importance of a strong capital base to meet strategic and regulatory requirements, the Parent Bank has adopted a robust ICAAP on a group-wide level that is consistent with its risk philosophy and risk appetite. The ICAAP Document embodies the Group's risk philosophy, risk appetite, and risk governance framework and structure, and integrates these with: (a) the Group's strategic objectives and long-term strategies; (b) the five-year financial and business plans; and, (c) the capital plan and dividend policy.

The ICAAP's objective is to ensure that the BOD and senior management actively and promptly identify and manage the material risks arising from the general business environment, and that an appropriate level of capital is maintained to cover these risks.

On January 4, 2018, the BSP issued Circular No. 989 which mandates the conduct of stress testing exercise of banks. The Group's ICAAP Document considered the impact of severe but plausible scenarios on the Group's capital position. The results are thoroughly discussed during RMC meetings, and reported to the Board. In the course of its discussions, the BOD and senior management may request for additional stress testing scenarios or revisions to the test assumptions in order to better align these to current trends and forecasts.

The Group has a cross-functional ICAAP technical team, comprised of representatives from the core risk management units - credit, market, operational, information technology, and emerging risks; corporate planning; financial controllership; treasury; internal audit; and compliance. This ensures a well-coordinated approach to the development, documentation, implementation, review, improvement, and maintenance of the various sub-processes included in the ICAAP.

The key members of the ICAAP technical team are enrolled in further training as well as various fora and briefings to enhance their knowledge and expertise particularly on the subjects of ICAAP, Basel III, and their interface with PFRS.



The Group's ICAAP Document is subjected each year to an independent review by the Internal Audit Division (IAD) to provide reasonable assurance that the Group has met the regulatory requirements. For the 2025 ICAAP Document submission, the results of the audit assessment were presented to the Audit Committee and the BOD.

Based on IAD's assessment of the ICAAP document, its related supporting documents, and existing processes and structures, IAD reported that the Group has satisfactorily complied with the minimum requirements prescribed in BSP Circular No. 639. Presence of a proper governance and oversight function of the ICAAP, comprehensive risk management framework, and sound capital management process were verified in the audit process. For 2025, the Group and Parent Bank's ICAAP Document was submitted to the BSP on March 28, 2025.

6. Segment Reporting

Business Segments

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

The Group's main business segments are presented below.

(a) *Consumer Banking*

This segment principally handles individual customer deposits, funds transfer facilities and provides consumer type loans, such as personal loans, automobiles and mortgage financing, and credit card facilities and small and medium enterprises loan products.

(b) *Institutional Banking*

This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional and middle market customers.

(c) *Mass Market/Digital Banking*

Mass Market banking primarily provides a range of mass market financial products and services such as salary loans, pension loans, seafarer loans, motorcycle loans, company loans, LGU salary loans, and traditional deposits. Digital Banking offers retail financial products, including deposits and loans, on a highly secure digital banking platform.

(d) *Treasury Banking*

This segment is principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives.

(e) *Trust and Insurance*

The segment handles trust, asset management and fiduciary services provided by the Bank to its customers.

(f) *Headquarters*

This segment includes corporate management, support and administrative units not specifically identified with Consumer Banking, Corporate and Commercial Banking or Treasury.



These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

In 2025, the Bank revised its segment reporting related to the deposit products within its RBC. Previously, all RBC deposits were reported under the Consumer Banking segment. To better reflect the underlying business dynamics and enhance clarity in the Group's segment performance measurement, the Group restructured its reporting approach. RBC deposit products are now allocated across Consumer Banking and Institutional Banking, based on their respective sub-product segments: Retail Personal and SME under Consumer Banking, and Retail Commercial and Retail Corporate under Institutional Banking. As a result, the comparative segment reporting for the years ended December 31, 2024 and 2023 have been restated.

Analysis of Segment Information

Segment information of the Group as of and for the years ended December 31, 2025, 2024 and 2023 follow (amounts in millions):

	Consumer Banking	Mass Market/ Digital	Institutional	Treasury	Trust/ Insurance and Brokerage	Headquarters	Total
December 31, 2025							
Results of operations							
Net interest income and other income	₱43,526	₱13,671	₱22,645	₱5,275	₱1,275	(₱3,163)	₱83,229
Other expenses	(22,536)	(10,394)	(11,164)	(1,969)	(615)	(1,196)	(47,874)
Income before credit losses and income tax	₱20,990	₱3,277	₱11,481	₱3,306	₱660	(₱4,359)	₱35,355
Provision for credit losses							(21,156)
Tax expense							(4,197)
Net income							₱10,002
Segment resources	₱265,644	₱185,865	₱208,043	₱438,599	₱1,426	₱59,888	₱1,159,465
Segment liabilities	₱229,001	₱158,335	₱403,785	₱144,075	₱352	₱21,065	₱956,613
Other information:							
Depreciation and amortization	₱1,116	₱837	₱131	₱18	₱9	₱1,723	₱3,834
Capital expenditures	664	353	780	203	1	5,252	7,253
December 31, 2024, as restated							
Results of operations							
Net interest income and other income	₱40,079	₱14,152	₱23,342	₱4,749	₱1,330	(₱5,793)	₱77,859
Other expenses	(21,587)	(8,897)	(9,738)	(2,116)	(763)	(1,167)	(44,268)
Income before credit losses and income tax	₱18,492	₱5,255	₱13,604	₱2,633	₱567	(₱6,960)	33,591
Provision for credit losses							(17,908)
Tax expense							(3,653)
Net income							₱12,030
Segment resources	₱259,372	₱180,709	₱201,746	₱446,257	₱1,640	₱55,717	₱1,145,441
Segment liabilities	₱214,830	₱152,862	₱373,825	₱186,781	₱391	₱18,684	₱947,373
Other information:							
Depreciation and amortization	₱797	₱766	₱184	₱29	₱3	₱1,062	₱2,841
Capital expenditures	180	361	222	45	–	5,626	6,434



	Consumer Banking	Mass Market/ Digital	Institutional	Treasury	Trust/ Insurance and Brokerage	Headquarters	Total
December 31, 2023, as restated							
Results of operations							
Net interest income and other income	₱31,112	₱14,828	₱15,542	₱2,958	₱919	₱4,295	₱69,654
Other expenses	(19,133)	(8,377)	(6,445)	(1,972)	(468)	(8,493)	(44,888)
Income before credit losses and income tax	₱11,979	₱6,451	₱9,097	₱986	₱451	(₱4,198)	24,766
Provision for credit losses							(12,917)
Tax expense							(2,644)
Net income							₱9,205
Segment resources	₱251,845	₱182,085	₱215,654	₱442,546	₱2,173	₱50,840	₱1,145,143
Segment liabilities	₱240,961	₱155,934	₱339,293	₱221,098	₱252	₱11,980	₱969,518
Other information:							
Depreciation and amortization	₱35	₱644	₱70	₱5	₱6	₱1,906	₱2,666
Capital expenditures	171	605	362	43	–	3,144	4,325

7. Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities

Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and 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;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource 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 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 of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.



When the Group uses valuation technique, it maximizes the use of observable market data where it is available and 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.

For assets and liabilities that are recognized at fair value in the statement of financial position on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

a) *Financial instruments measured at fair value*

Group

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱22,521,166	₱–	₱–	₱22,521,166
Equity securities	34,683	349,850	23,250	407,783
Derivative assets	–	912,515	55,557	968,072
Financial assets at FVOCI				
Debt securities	39,036,752	–	–	39,036,752
Equity securities	–	–	299,761	299,761
<i>Liabilities</i>				
Derivative liabilities	–	2,497,440	–	2,497,440
December 31, 2024				
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱7,693,772	₱–	₱–	₱7,693,772
Equity securities	35,363	571,412	533,850	1,140,625
Derivative assets	–	1,406,028	54,664	1,460,692
Financial assets at FVOCI				
Debt securities	39,212,893	–	–	39,212,893
Equity securities	–	–	299,761	299,761
<i>Liabilities</i>				
Derivative liabilities	–	3,088,312	–	3,088,312

Parent Bank

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱22,521,166	₱–	₱–	₱22,521,166
Equity securities	–	349,850	–	349,850
Derivative assets	–	912,515	55,557	968,072
Financial assets at FVOCI				
Debt securities	39,016,859	–	–	39,016,859
Equity securities	–	–	58,073	58,073
<i>Liabilities</i>				
Derivative liabilities	–	2,497,440	–	2,497,440



	December 31, 2024			
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱7,493,643	₱-	₱-	₱7,493,643
Equity securities	-	571,412	502,851	1,074,263
Derivative assets	-	1,406,028	54,664	1,460,692
Financial assets at FVOCI				
Debt securities	39,193,382	-	-	39,193,382
Equity securities	-	-	58,073	58,073
<i>Liabilities</i>				
Derivative liabilities	-	3,088,312	-	3,088,312

b) *Financial instruments measured at amortized cost and investment properties for which fair value is disclosed*

Group

	December 31, 2025				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱308,751,875	₱292,572,513	₱-	₱-	₱292,572,513
Loans and other receivables	537,682,367	-	-	495,547,041	495,547,041
<i>Nonfinancial Assets</i>					
Investment properties	10,092,938	-	-	21,495,093	21,495,093
<i>Liabilities</i>					
<i>Financial Liabilities</i>					
Deposit liabilities	734,033,788	-	-	738,108,587	738,108,587
Bills payable	132,009,906	-	132,871,181	-	132,871,181
Notes and bonds payable	39,662,164	-	40,060,203	-	40,060,203

	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱323,412,938	₱303,086,488	₱-	₱-	₱303,086,488
Loans and other receivables	522,655,816	-	-	489,825,582	489,825,582
<i>Nonfinancial Assets</i>					
Investment properties	9,789,983	-	-	20,262,561	20,262,561
<i>Liabilities</i>					
<i>Financial Liabilities</i>					
Deposit liabilities	676,322,796	-	-	685,523,143	685,523,143
Bills payable	162,256,379	-	180,790,718	-	180,790,718
Notes and bonds payable	57,565,582	-	56,044,999	-	56,044,999

Parent Bank

	December 31, 2025				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱298,459,094	₱282,414,067	₱-	₱-	₱282,414,067
Loans and other receivables	417,889,678	-	-	382,827,486	382,827,486
<i>Nonfinancial Assets</i>					
Investment properties	9,041,001	-	-	20,142,352	20,142,352
<i>Liabilities</i>					
<i>Financial Liabilities</i>					
Deposit liabilities	620,146,941	-	-	618,344,664	618,344,664
Bills payable	100,424,273	-	101,195,598	-	101,195,598
Notes and bonds payable	33,375,113	-	33,660,684	-	33,660,684



	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱313,388,774	₱293,392,468	₱-	₱-	₱293,392,468
Loans and other receivables	406,180,888	-	-	385,018,069	385,018,069
<i>Nonfinancial Assets</i>					
Investment properties	8,564,812	-	-	18,697,704	18,697,704
<i>Liabilities</i>					
<i>Financial Liabilities</i>					
Deposit liabilities	572,481,890	-	-	574,504,333	574,504,333
Bills payable	126,169,642	-	144,626,478	-	144,626,478
Notes and bonds payable	51,724,287	-	50,165,422	-	50,165,422

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years. Certain disclosures required for financial instruments measured at fair value and classified as Level 3 are not presented as these financial instruments are comprised of derivative assets and unquoted equity securities that are not material to the financial statements.

Below information provided about how the fair values of the Group's classes of financial instruments are determined.

- (a) *For Cash and other cash items, Due from BSP and other banks, Interbank loans receivable, SPURRA (included under loans and other receivable) and Returned checks and other cash items, and Other liabilities such as Manager's checks, Bills purchased, Accounts payable, Accrued interest payable, Payment orders payable and Due to Treasurer of the Philippines* Management considers that the carrying amounts approximate their fair value due to their short-term nature. Accordingly, these are not presented in the tables above.
- (b) *Debt securities*
Fair values of debt securities under Level 1, composed of government securities issued by the Philippine government and other foreign governments and private debt securities, are determined based on quoted prices at the close of business as appearing on Bloomberg. Fair values of debt securities under Level 2 composed of government securities, determined based on observable input prices of similar securities appearing on Bloomberg.
- (c) *Derivatives*
The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation (see Note 3). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.
- (d) *Equity securities*
Instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL. These securities are valued based on their closing prices published by the Philippine Stock Exchange.

Club shares classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Fair value of unquoted equity investments is based on the price in the recently observed transaction and is considered Level 2.



Equity instruments included in Level 3 comprise of UIC's investment in unquoted equity securities valued using the adjusted net asset method. The adjusted net asset method involves deriving the fair value of the investee's equity instruments by reference to the fair value of its assets and liabilities. Adjustments in the fair value of the investee's net assets, such as discount for the lack of liquidity, were also considered in the valuation. The Level 3 unquoted equity instruments are not material to the consolidated financial statements.

(e) *Loans and receivables, Deposit liabilities and Bills payable*

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

(f) *Notes and bonds payable*

Fair values of notes and bonds payable under Level 2 are determined based on quoted prices at the close of business as appearing on PDEX and Bloomberg. These are classified as Level 2 due to absence of an active market.

(g) *Investment properties*

The fair values of the Group's investment properties are determined on the basis of the appraisals performed by internal appraisers (for investment properties with values below ₱5 million) and independent appraisal companies acceptable to the BSP (for investment properties with fair values above ₱5 million), with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process is conducted by the appraisers with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, appraisal companies take into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair values of investment properties are determined using the market data approach that reflects observable and recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable property in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value will be the lower level of the hierarchy or Level 3. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

There has been no change in the valuation techniques used by the Group during the year for its investment properties.



8. Cash and Balances with the BSP

These accounts are composed of the following as of December 31:

	Group		Parent Bank	
	2025	2024	2025	2024
Cash and other cash items	₱11,419,221	₱10,143,777	₱10,359,243	₱9,270,243
Due from BSP				
Mandatory reserves (Note 21)	31,569,165	32,038,411	31,365,618	30,507,385
Non-mandatory reserves	9,240,977	50,108,164	1,907,638	18,704,704
	₱40,810,142	₱82,146,575	₱33,273,256	₱49,212,089

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

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 21). Under Section 254 of the MORB, a bank shall keep its required reserves in the form of deposits placed in the bank's demand deposit account with the BSP. Section 254.1 of the MORB further provides that such deposit account with the BSP is not considered as a regular current account as drawings against such deposits shall be limited to: (a) settlement of obligation with the BSP, and (b) withdrawals to meet cash requirements.

Due from BSP bears annual interest rates ranging from 4.00% to 5.25% in 2025, from 5.25% to 6.25% in 2024, and from 5.00% to 6.71% in 2023, except for the amounts within the required reserve as determined by the BSP. Total interest income on Due from BSP recognized by the Group amounted to ₱1.41 billion, ₱1.70 billion, and ₱1.47 billion in 2025, 2024 and 2023, respectively, while the total interest income on Due from BSP recognized by the Parent Bank amounted to ₱361.84 million, ₱204.11 million, and ₱290.29 million in 2025, 2024 and 2023, respectively.

9. Due from Other Banks

The balance of this account consists of regular deposits with the following:

	Group		Parent Bank	
	2025	2024	2025	2024
Foreign banks	₱31,517,251	₱29,671,672	₱31,516,899	₱29,671,672
Local banks	3,807,655	4,231,317	2,657,483	1,477,758
	35,324,906	33,902,989	34,174,382	31,149,430
Allowance for impairment (Note 20)	(9,696)	(12,451)	(9,180)	(9,651)
	₱35,315,210	₱33,890,538	₱34,165,202	₱31,139,779



Due from Other Banks and Interbank Loans Receivable and Securities Purchased under Repurchase Agreements

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The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2025	2024	2025	2024
U.S. dollars	₱29,279,830	₱26,384,493	₱28,965,772	₱26,190,737
Philippine pesos	4,372,817	4,854,585	3,536,927	2,297,605
Other currencies	1,662,563	2,651,460	1,662,503	2,651,437
	₱35,315,210	₱33,890,538	₱34,165,202	₱31,139,779

Annual interest rates on these deposits range from 0.00% to 4.35% in 2025 and from 0.00% to 5.40% in 2024, and from 0.00% to 5.40% in 2023. Total interest income on Due from other banks earned by the Group amounted to ₱615.20 million, ₱958.20 million, and ₱694.49 million in 2025, 2024 and 2023, respectively, while total interest income earned by the Parent Bank amounted to ₱606.21 million, ₱952.27 million, and ₱656.87 million in 2025, 2024 and 2023, respectively.

10. Interbank Loans Receivable and Securities Purchased under Repurchase Agreements

Interbank loans receivable of the Group and the Parent Bank amounted to ₱215.66 million and ₱178.99 million, net of allowance for credit losses of ₱0.04 million, as of December 31, 2025 and 2024, respectively. Interbank loans receivable consists of foreign currency-denominated loans granted to other banks with terms ranging from 1 to 8 days in 2025 and from 1 to 15 days in 2024. Interest income on interbank loans amounted to ₱355.82 million, ₱71.21 million, and ₱96.17 million in 2025, 2024 and 2023, respectively, for the Group, and ₱355.82 million, ₱71.22 million, and ₱96.17 million in 2025, 2024 and 2023, respectively, for the Parent Bank.

SPURRA of the Group amounted to ₱40.95 billion and ₱1.70 billion as of December 31, 2025 and 2024, respectively. SPURRA of the Parent Bank amounted to ₱10.00 billion and nil as of December 31, 2025 and 2024, respectively. SPURRA represents short-term placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the contracting party. Interest income on SPURRA amounted to ₱1.11 billion, ₱1.36 billion, and ₱1.27 billion in 2025, 2024 and 2023, respectively, for the Group, and ₱0.38 billion, ₱0.48 billion, and ₱0.42 billion in 2025, 2024 and 2023, respectively, for the Parent Bank.

Annual interest rates on interbank loans receivable range from 3.00% to 5.97% in 2025, from 3.70% to 6.65% in 2024, and from 2.63% to 6.44% in 2023. SPURRA bears nominal annual interest ranging from 4.49% to 5.90% in 2025, from 5.70% to 6.51% in 2024, and from 5.50% to 6.48% in 2023.



Equity securities include PSE listed securities, club shares and unquoted equity securities.

Interest income generated from these financial assets amounted to ₱746.56 million, ₱493.43 million, and ₱194.35 million in 2025, 2024 and 2023, respectively, for the Group, and ₱746.56 million, ₱487.22 million, and ₱193.27 million in 2025, 2024 and 2023, respectively, for the Parent Bank. In 2025, annual interest rates on these financial assets range from 3.63% to 8.00% and from 1.38% to 9.63% for securities denominated in Philippine peso and U.S. dollars, respectively. In 2024 and 2023, annual interest rates on these financial assets range from 2.38% to 9.25% and from 1.38% to 9.63% for securities denominated in Philippine peso and U.S. dollars, respectively.

The Group recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱554.82 million, ₱1.34 billion, and ₱502.14 million in 2025, 2024 and 2023, respectively, while the Parent Bank recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱556.55 million, ₱1 billion, and ₱501.19 million in 2025, 2024 and 2023, respectively, and included as part of Gains (losses) on trading and investment securities at FVTPL and FVOCI in the statement of income.

12. Financial Assets at Amortized Cost

The Group's and the Parent Bank's financial assets at amortized cost as of December 31, 2025 and 2024 consist of the following:

	Group		Parent Bank	
	2025	2024	2025	2024
Government bonds and other debt securities	₱285,945,052	₱298,650,068	₱275,742,271	₱288,715,904
Private bonds and commercial papers	23,133,456	25,080,834	23,043,456	24,990,834
	309,078,508	323,730,902	298,785,727	313,706,738
Allowance for impairment (Note 20)	(326,633)	(317,964)	(326,633)	(317,964)
	₱308,751,875	₱323,412,938	₱298,459,094	₱313,388,774

The Group's and the Parent Bank's investment securities with carrying values of ₱95.25 billion and ₱115.73 billion as of December 31, 2025 and 2024, respectively, were pledged as collaterals for bills payable under repurchase agreements (see Note 22).

The breakdown of this account as to currency as of December 31, 2025 and 2024 follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Philippine pesos	₱204,113,497	₱221,048,337	₱193,820,716	₱211,024,173
U.S. dollars	102,452,727	100,472,789	102,452,727	100,472,789
Others	2,185,651	1,891,812	2,185,651	1,891,812
	₱308,751,875	₱323,412,938	₱298,459,094	₱313,388,774



Financial assets at amortized cost denominated in Philippine pesos have annual fixed interest rates ranging from 2.88% to 12.5% in 2025, and from 2.38% to 18.25% in 2024 and 2023, while financial assets at amortized cost denominated in U.S. dollars and Euros have annual fixed interest rates ranging from 1.25% to 9.63% in 2025, 2024 and 2023. These bonds have remaining maturities of 1 to 27 years as of December 31, 2025, 1 to 28 years as of December 31, 2024, and 1 to 29 years as of December 31, 2023.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to ₱14.80 billion, ₱14.20 billion, and ₱13.81 billion in 2025, 2024 and 2023, respectively, by the Group, and ₱14.29 billion, ₱13.75 billion, and ₱13.36 billion in 2025, 2024 and 2023, respectively, by the Parent Bank. This is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statement of income.

13. Financial Assets at Fair Value through Other Comprehensive Income

The Group's and the Parent Bank's financial assets at FVOCI as of December 31, 2025 and 2024 consist of the following:

	Group		Parent Bank	
	2025	2024	2025	2024
Debt securities:				
Government bonds	₱39,026,773	₱39,203,066	₱39,016,859	₱39,193,382
Private bonds and commercial papers	9,979	9,827	—	—
Equity securities	299,761	299,761	58,073	58,073
	₱39,336,513	₱39,512,654	₱39,074,932	₱39,251,455

The breakdown of this account as to currency as of December 31, 2025 and 2024 follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Philippine pesos	₱39,094,915	₱39,270,967	₱39,074,932	₱39,251,455
U.S. dollars	241,598	241,687	—	—
	₱39,336,513	₱39,512,654	₱39,074,932	₱39,251,455

The Group has designated the above equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. Unquoted equity securities pertain to golf club shares and investments in non-marketable equity securities.

Debt securities denominated in Philippine pesos have annual interest rates ranging from 2.88% to 8.13% in 2025 and from 2.88% to 9.25% in 2024 and 2023, while debt securities denominated in U.S. dollars have annual interest rates is nil in 2025 and 2024 and from 1.25% to 9.63% in 2023, respectively. Interest income, including amortization of premium or discount, amounted to ₱2.40 billion, ₱1.88 billion, and ₱1.81 billion in 2025, 2024 and 2023, respectively, for the Group and Parent Bank, and is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statement of income.

The Group and the Parent Bank recognized gains from the sale of investments securities at FVOCI amounting to ₱0.59 billion, ₱0.19 billion, and ₱0.42 billion in 2025, 2024 and 2023, respectively. The amounts are included under Gains on trading and investments securities at FVTPL and FVOCI in the statement of income.



14. Loans and Other Receivables

The Group's and the Parent Bank's loans and other receivables as of December 31, 2025 and 2024 consist of the following:

	Group		Parent Bank	
	December 31		December 31	
	2025	2024	2025	2024
Receivables from customers:				
Loans and discounts	₱536,344,373	₱512,958,473	₱411,665,397	₱395,379,978
Customers' liabilities under acceptances and trust receipts	9,114,989	11,152,182	9,114,989	11,152,182
Bills purchased	2,212,837	2,469,666	2,212,837	2,469,666
Accrued interest receivable	5,295,911	7,044,825	3,263,659	3,440,938
	552,968,110	533,625,146	426,256,882	412,442,764
Unearned discounts	(2,346,559)	(2,571,970)	(290,047)	(293,049)
Allowance for impairment (Note 20)	(27,289,035)	(22,870,642)	(18,362,839)	(17,194,228)
	523,332,516	508,182,534	407,603,996	394,955,487
Other receivables:				
Accounts receivable	8,035,971	8,309,457	4,140,980	4,911,001
Accrued interest receivable	5,089,636	4,942,863	4,940,864	4,777,509
Sales contracts receivable	2,244,887	2,428,972	2,106,342	2,318,078
Instalment contracts receivable	263	596	–	–
	15,370,757	15,681,888	11,188,186	12,006,588
Allowance for impairment (Note 20)	(1,020,906)	(1,208,606)	(902,504)	(781,187)
	14,349,851	14,473,282	10,285,682	11,225,401
	₱537,682,367	₱522,655,816	₱417,889,678	₱406,180,888

Restructured loans amounted to ₱8.36 billion and ₱4.13 billion as of December 31, 2025 and 2024, respectively, for the Group, and ₱7.96 billion and ₱4.08 billion as of December 31, 2025 and 2024, respectively, for the Parent Bank. Interest income on these restructured loans amounted to ₱64.75 million, ₱78.57 million, and ₱113.12 million in 2025, 2024 and 2023, respectively, for the Group, and ₱59.11 million, ₱62.63 million, and ₱111.15 million in 2025, 2024 and 2023, respectively, for the Parent Bank.

The maturity profile of loans and other receivables (net of unearned discounts) follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Less than one year	₱267,557,434	₱231,738,442	₱251,850,587	₱214,265,825
One year to less than five years	189,436,933	225,142,870	77,208,713	121,696,401
Beyond five years	108,997,941	89,853,752	108,095,721	88,194,077
	₱565,992,308	₱546,735,064	₱437,155,021	₱424,156,303

Loans and other receivables bear annual interest ranging from 4.25% to 13.70% in 2025, from 4.25% to 14.00% in 2024 and 2023.



The breakdown of loans (receivable from customers excluding accrued interest receivable) as to type of interest rate follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Variable interest rates	₱258,955,000	₱263,892,104	₱258,955,000	₱263,892,104
Fixed interest rates	288,717,199	262,688,217	164,038,223	145,109,722
	₱547,672,199	₱526,580,321	₱422,993,223	₱409,001,826

The amounts of interest income per type of loans and receivables for each reporting period are as follows:

	Group		
	2025	2024	2023
Receivables from customers	₱62,732,564	₱62,909,822	₱59,015,283
Other receivables	185,313	172,606	203,801
	₱62,917,877	₱63,082,428	₱59,219,084

	Parent Bank		
	2025	2024	2023
Receivables from customers	₱43,639,117	₱43,144,836	₱38,670,624
Sales contracts receivable	173,201	158,697	182,597
	₱43,812,318	₱43,303,533	₱38,853,221

15. Investments in Subsidiaries and Associates

Investment in Subsidiaries

This account in the Parent Bank's financial statements pertains to investments in the following subsidiaries, which are accounted for using the equity method:

	% Interest	2025	2024
Acquisition costs:			
CSB	99.81%	₱8,248,537	₱6,748,543
UnionDigital (Note 1)	100%	8,500,000	6,650,000
UFSI	100%	5,097,261	5,097,261
UBX (Note 1)	83.33%	1,100,000	1,100,000
UIC	100%	924,861	924,861
FUPI	100%	290,002	290,002
UBPSI	100%	5,000	5,000
UBIMTC	—	—	300,000
UDC	—	—	3,125
		₱24,165,661	₱21,118,792



The movement in investments in subsidiaries is shown below:

	2025	2024
Subsidiaries:		
Acquisition costs:		
Beginning balances	P21,118,791	P18,367,110
Additional investments (Note 1)	3,349,994	2,751,681
Disposal	(303,125)	-
	24,165,660	21,118,791
Accumulated equity in total comprehensive income:		
Balance at beginning of year	15,798,485	17,393,148
Share in net loss (Note 28)	(3,294,921)	(664,775)
Dividends	(342,523)	(1,075,000)
Gain on deemed disposal (Note 1)	-	373,128
Share in other comprehensive income (loss) (Note 29)	42,166	(228,016)
Others	2,625	-
Balance at end of year	12,205,832	15,798,485
Net investment in subsidiaries	36,371,492	36,917,276
Associates:		
Acquisition costs:		
Beginning balances	347,299	347,299
Additional investments (Note 1)	300,000	-
	647,299	347,299
Accumulated equity in total comprehensive income:		
Balance at beginning of year	36,694	6,856
Share in equity income		
Excess of fair value over cost of investment (Note 28)	590,918	-
Share in current period profit (Note 28)	102,300	31,649
Share in other comprehensive loss (Note 29)	(689)	(1,811)
Balance at end of year	729,223	36,694
Net investment in associates	1,376,522	383,993
	P37,748,014	P37,301,269



The Parent Bank's direct subsidiaries are all incorporated in the Philippines. The principal place of business of these subsidiaries is in Metro Manila, Philippines except for CSB, which has its principal place of operations in Cebu, Philippines.

The details of the dividends by the subsidiaries to the Parent Bank are provided below:

Subsidiaries	Date of declaration	Per share	Total amounts
UFSI	April 24, 2025	₱2.99	₱300,000
	February 29, 2024	1.99	200,000
	June 25, 2024	6.97	700,000
	November 15, 2024	1.00	100,000
	May 24, 2023	0.62	62,000
UBIMTC	April 24, 2025	0.14	42,523
UIC	June 4, 2024	1.12	75,000
	September 25, 2023	1.00	67,000

Investment in Associates

On November 8, 2024, the Parent Bank and AAMI entered into an agreement for UBP's acquisition of a 27.5% shareholding in AAMI and a share purchase agreement for the sale of 100% UBP's shareholding in UBIMTC to AAMI. In May 2025, upon approval of the BSP, the investment in UBIMTC was sold for ₱300 million. No gain or loss was recognized on the sale. On the same date, the acquisition of 27.5% shareholding in AAMI resulted in a gain on acquisition amounting to ₱590.92 million included under the share in equity income under 'Miscellaneous income' in the statement of income, representing the excess of the fair value of the acquired investment in AAMI of ₱890.92 million and the acquisition cost of its investment of ₱300.00 million (Note 28).

Sale of Investments in Fintech Platform Ventures Pte Ltd. by UBX SG

On August 28, 2023, UBX SG sold its 32.28% stake in Fintech Platform Ventures Pte. Ltd with a carrying value of \$1.30 million (₱74.8 million) for \$1.70 million (₱98.0 million) with gain from sale of \$0.407 million (₱23.2 million).

Summarized Financial Information

The following table presents the combined financial information of the subsidiaries, which comprises CSB, UnionDigital, UFSI, PETNET, UBX, UIC, and Bangko Kabayan as of and for the years ended December 31, 2025 and 2024:

	Assets	Liabilities	Revenues	Net Profit (Loss)
Subsidiaries				
2025	₱191,750,848	₱159,935,696	₱25,340,812	(₱2,957,562)
2024	186,467,856	154,098,330	26,805,544	(256,564)
Associate				
2025	1,399,247	503,870	1,319,720	224,222



16. Bank Premises, Furniture, Fixtures and Equipment

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment as of December 31, 2025 and 2024 are shown below.

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Improvements	
December 31, 2025						
Cost	₱1,172,569	₱7,613,076	₱6,600,255	₱4,980,929	₱2,194,425	₱22,561,254
Accumulated depreciation and amortization	–	(1,419,512)	(4,473,533)	(3,385,927)	(1,653,642)	(10,932,614)
Net carrying amounts	₱1,172,569	₱6,193,564	₱2,126,722	₱1,595,002	₱540,783	₱11,628,640
December 31, 2024						
Cost	₱1,174,299	₱7,369,579	₱5,942,479	₱4,774,810	₱1,996,279	₱21,257,446
Accumulated depreciation and amortization	–	(1,244,772)	(4,200,382)	(3,270,814)	(1,540,267)	(10,256,235)
Net carrying amounts	₱1,174,299	₱6,124,807	₱1,742,097	₱1,503,996	₱456,012	₱11,001,211
	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Improvements	
December 31, 2025						
Cost	₱558,820	₱7,130,207	₱4,942,320	₱4,199,910	₱1,076,295	₱17,907,552
Accumulated depreciation and amortization	–	(1,132,980)	(3,210,015)	(2,995,776)	(638,680)	(7,977,451)
Net carrying amounts	₱558,820	₱5,997,227	₱1,732,305	₱1,204,134	₱437,615	₱9,930,101
December 31, 2024						
Cost	₱558,820	₱6,877,938	₱4,390,220	₱3,779,970	₱917,123	₱16,524,071
Accumulated depreciation and amortization	–	(967,241)	(3,024,638)	(2,637,898)	(569,350)	(7,199,127)
Net carrying amounts	₱558,820	₱5,910,697	₱1,365,582	₱1,142,072	₱347,773	₱9,324,944

A reconciliation of the carrying amounts at the beginning and end of 2025 and 2024 of this account (including right-of-use assets) is shown below:

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Improvements	
Balances at January 1, 2025, net of accumulated depreciation and amortization	₱1,174,299	₱6,124,807	₱1,742,097	₱1,503,996	₱456,012	₱11,001,211
Additions	–	273,798	990,401	748,311	198,746	2,211,256
Disposals	(1,730)	(653)	(81,356)	(36,495)	–	(120,234)
Reclassifications/adjustments	–	(19,393)	614	44,457	(600)	25,078
Depreciation and amortization charges for the year	–	(184,995)	(525,034)	(665,267)	(113,375)	(1,488,671)
Balances at December 31, 2025, net of accumulated depreciation and amortization	₱1,172,569	₱6,193,564	₱2,126,722	₱1,595,002	₱540,783	₱11,628,640
Balances at January 1, 2024, net of accumulated depreciation and amortization	₱1,182,455	₱5,122,798	₱1,971,029	₱1,416,931	₱500,026	₱10,193,239
Additions	–	1,189,253	373,368	714,284	84,380	2,361,285
Disposals	(8,156)	(1,073)	(40,196)	–	–	(49,425)
Reclassifications/adjustments	–	(930)	(17,601)	(1,616)	(6,948)	(27,095)
Depreciation and amortization charges for the year	–	(185,241)	(544,503)	(625,603)	(121,446)	(1,476,793)
Balances at December 31, 2024, net of accumulated depreciation and amortization	₱1,174,299	₱6,124,807	₱1,742,097	₱1,503,996	₱456,012	₱11,001,211



	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Improvements	
Balances at January 1, 2025, net of accumulated depreciation and amortization	₱558,820	₱5,910,697	₱1,365,582	₱1,142,072	₱347,773	₱9,324,944
Additions	–	271,523	810,963	589,276	159,719	1,831,481
Disposals	–	–	(63,291)	(36,040)	–	(99,331)
Reclassifications/adjustments	–	(19,253)	2,871	–	(547)	(16,929)
Depreciation and amortization charges for the year	–	(165,740)	(383,820)	(491,174)	(69,330)	(1,110,064)
Balances at December 31, 2025, net of accumulated depreciation and amortization	₱558,820	₱5,997,227	₱1,732,305	₱1,204,134	₱437,615	₱9,930,101
Balances at January 1, 2024, net of accumulated depreciation and amortization	₱558,820	₱4,898,310	₱1,599,715	₱1,070,175	₱412,306	₱8,539,326
Additions	–	1,176,682	202,027	561,627	6,413	1,946,749
Disposals	–	–	(34,834)	–	–	(34,834)
Reclassifications/adjustments	–	(54)	8,582	–	(136)	8,392
Depreciation and amortization charges for the year	–	(164,241)	(409,908)	(489,730)	(70,810)	(1,134,689)
Balances at December 31, 2024, net of accumulated depreciation and amortization	₱558,820	₱5,910,697	₱1,365,582	₱1,142,072	₱347,773	₱9,324,944

The Group has leases for branch offices, parking lots, stalls for specific events, signage and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statement of financial position as a ROU asset and a lease liability.

Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contracts are cancellable upon mutual agreement of the parties or renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5% to 10%. As of December 31, 2025 and 2024, the Group has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

The Group's leasing activities qualified to recognize ROU assets mainly comprise of branch offices and parking lots with remaining lease terms ranging from 1 to 10 years.

The details of depreciation and amortization in the consolidated statements of income follow:

	Group		
	2025	2024	2023
Computer software (Note 19)	₱1,668,082	₱758,880	₱595,876
Bank premises, furniture, fixtures and equipment*	823,404	851,190	839,585
Investment properties and foreclosed chattel (Notes 17 and 19)	709,352	598,444	597,818
Customer relationships (Note 19)	343,500	343,500	343,500
Core deposits (Note 19)	289,714	289,714	289,714
	₱3,834,052	₱2,841,728	₱2,666,493

*Excluding depreciation of ROU asset presented in Occupancy.



Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

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	Parent Bank		
	2025	2024	2023
Computer software (Note 19)	₱1,043,817	₱417,642	₱316,402
Bank premises, furniture, fixtures and equipment*	618,890	644,959	636,278
Investment properties and foreclosed chattel (Notes 17 and 19)	549,074	446,092	380,662
Customer relationships (Note 19)	343,500	343,500	343,500
Core deposits (Note 19)	262,643	262,643	262,643
	₱2,817,924	₱2,114,836	₱1,939,485

*Excluding depreciation of ROU asset presented in Occupancy.

Depreciation charges amounted to ₱665.27 million, ₱625.60 million, and ₱611.48 million in 2025, 2024 and 2023, respectively, for the ROU of the Group and ₱491.17 million, ₱489.73 million, and ₱468.68 million in 2025, 2024 and 2023, respectively, for the ROU of the Parent Bank. This is shown as part of Occupancy in the consolidated and parent bank statements of income.

The Group recognized gains from the sale of bank premises, furniture, fixtures and equipment amounting to ₱8.36 million, ₱25.24 million, and ₱46.27 million in 2025, 2024 and 2023, respectively. The Parent Bank recognized gains (losses) from the sale of bank premises, furniture, fixtures and equipment amounting to (₱2.90) million, ₱1.28 million, and ₱43.43 million in 2025, 2024 and 2023, respectively. The amounts are included under Net gain on sale of investment properties, property and equipment and other assets under Miscellaneous Income section of the statement of income (see Note 28).

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the Parent Bank's unimpaired capital. As of December 31, 2025 and 2024, the Parent Bank has satisfactorily complied with this requirement.

17. Investment Properties

The Group's and the Parent Bank's investment properties include several parcels of land and buildings held for rentals and foreclosed properties. The composition of this account are shown below.

	Group		Parent	
	As at December 31		As at December 31	
	2025	2024	2025	2024
Cost	₱13,516,804	₱13,048,847	₱12,228,828	₱11,589,371
Accumulated depreciation	(3,274,806)	(3,158,632)	(3,091,791)	(2,961,656)
Accumulated impairment loss	(149,060)	(100,232)	(96,036)	(62,903)
Net carrying amounts	₱10,092,938	₱9,789,983	₱9,041,001	₱8,564,812



The composition of and movements in the Group's and the Parent Bank's investment properties are shown below.

	Group		
	2025		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,535,808	₱10,513,039	₱13,048,847
Additions/rescission	3,797	1,601,635	1,605,432
Disposals/derecognition	(28,766)	(1,108,709)	(1,137,475)
Balances at December 31	2,510,839	11,005,965	13,516,804
Accumulated Depreciation and Amortization			
Balances at January 1	895,346	2,263,286	3,158,632
Depreciation	53,264	509,659	562,923
Disposals/Derecognition	(23,081)	(423,668)	(446,749)
Balances at December 31	925,529	2,349,277	3,274,806
Accumulated Impairment Losses			
Balances at January 1	–	100,232	100,232
Provision for impairment	–	52,381	52,381
Disposals/derecognition	–	(3,553)	(3,553)
Balances at December 31	–	149,060	149,060
Net Book Values	₱1,585,310	₱8,507,628	₱10,092,938

	Group		
	2024		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,533,424	₱9,115,278	₱11,648,702
Additions	2,526	2,270,497	2,273,023
Disposals	(142)	(872,547)	(872,689)
Reclassifications/adjustments	–	(189)	(189)
Balances at December 31	2,535,808	10,513,039	13,048,847
Accumulated Depreciation and Amortization			
Balances at January 1	842,463	2,109,120	2,951,583
Depreciation	52,883	431,545	484,428
Disposals	–	(275,593)	(275,593)
Reclassifications/adjustments	–	(1,786)	(1,786)
Balances at December 31	895,346	2,263,286	3,158,632
Accumulated Impairment Losses			
Balances at January 1	–	104,860	104,860
Reversals on provision for impairment	–	(3,547)	(3,547)
Disposals	–	(1,087)	(1,087)
Reclassifications/adjustments	–	6	6
Balances at December 31	–	100,232	100,232
Net Book Values	₱1,640,462	₱8,149,521	₱9,789,983

	Parent Bank		
	2025		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,198,110	₱9,391,261	₱11,589,371
Additions	–	1,510,734	1,510,734
Disposals/derecognized	–	(871,277)	(871,277)
Balances at December 31	2,198,110	10,030,718	12,228,828
Accumulated Depreciation and Amortization			
Balances at January 1	740,989	2,220,667	2,961,656
Depreciation	45,854	500,997	546,851
Disposals/derecognized	–	(416,716)	(416,716)
Balances at December 31	786,843	2,304,948	3,091,791
Accumulated Impairment Losses			
Balances at January 1	–	62,903	62,903
Provision for impairment	–	36,351	36,351
Disposals/derecognized	–	(3,218)	(3,218)
Balances at December 31	–	96,036	96,036
Net Book Values	₱1,411,267	₱7,629,734	₱9,041,001



	Parent Bank		Total
	Building Held for Lease	Foreclosed Properties	
2024			
Cost			
Balances at January 1	₱2,198,110	₱7,992,679	₱10,190,789
Additions	–	2,194,537	2,194,537
Disposals	–	(795,955)	(795,955)
Balances at December 31	2,198,110	9,391,261	11,589,371
Accumulated Depreciation and Amortization			
Balances at January 1	695,135	2,071,559	2,766,694
Depreciation	45,854	419,277	465,131
Disposals	–	(270,169)	(270,169)
Balances at December 31	740,989	2,220,667	2,961,656
Accumulated Impairment Losses			
Balances at January 1	–	64,812	64,812
Reversals on provision for impairment	–	(1,909)	(1,909)
Balances at December 31	–	62,903	62,903
Net Book Values	₱1,457,121	₱7,107,691	₱8,564,812

Real property taxes related to these investment properties paid by the Group and recognized as expense totaled ₱55.75 million, ₱50.03 million, and ₱48.29 million, in 2025, 2024 and 2023, respectively. Real property taxes related to these investment properties paid by the Parent Bank and recognized as expense totaled ₱51.39 million, ₱45.49 million, and ₱43.92 million, in 2025, 2024 and 2023, respectively. These are presented as part of Taxes and licenses account under Other expenses in the statements of income.

Rent income, included as part of 'Others' under Miscellaneous income in the statement of income (see Note 28), amounted to ₱181.65 million, ₱150.41 million, and ₱118.56 million in 2025, 2024 and 2023, respectively, earned by the Group on its investment properties under operating leases. Rent income, included as part of 'Others' under Miscellaneous income in the statement of income (see Note 28), amounted to ₱191.14 million, ₱199.44 million, and ₱171.67 million in 2025, 2024 and 2023, respectively, earned by the Parent Bank on its investment properties under operating leases.

The gain on foreclosure of loan collaterals, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱877.20 million, ₱1.20 billion and ₱751.94 million in 2025, 2024 and 2023, respectively, for the Group and ₱816.35 million, ₱1.17 billion and ₱679.75 million in 2025, 2024 and 2023, respectively, for the Parent Bank.

The gain on disposal of foreclosed properties, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱601.49 million, ₱496.10 million, and ₱1.02 billion in 2025, 2024 and 2023, respectively, for the Group, and ₱598.01 million, ₱610.72 million, and ₱1.11 billion in 2025, 2024 and 2023, respectively, for the Parent Bank.

Information about the fair value of investment properties is presented in Note 7.



18. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value arising from the acquisitions of (a) former iBank's in April 2006; (b) CSB in January 2013, (c) PR Savings Bank by CSB in June 2018, (d) PETNET in December 2018, (e) Bangko Kabayan in March 2020, and (f) Citigroup Inc.'s consumer banking business in the Philippines in August 2022 (see Note 1).

None of the goodwill recognized is expected to be deductible for income tax purposes.

For impairment testing purposes, the goodwill of the Group acquired through business combinations is allocated to the following CGUs:

- With respect to the goodwill from the acquisition of iBank, to the Parent Bank's Personal Banking and SME within the Consumer Banking business and Parent Bank's Retail Commercial and Retail Corporate and in view of the change in reporting deposit products in 2025, a portion of the goodwill previously attributed to RBC was reallocated to Institutional Banking;
- With respect to the goodwill from the acquisition of CSB and PR Savings Bank, to CSB's DepEd salary loans business and motorcycle loans business, respectively;
- With respect to the goodwill from the acquisition of PETNET, the separate cash generating unit of PETNET at entity level;
- With respect to the goodwill from the acquisition of Bangko Kabayan, the separate cash generating unit of Bangko Kabayan at entity level; and,
- With respect to the goodwill from the acquisition of Citigroup Inc.'s consumer banking business in the Philippines, the separate cash generating unit of (i) credit card and personal loans products within the consumer banking business; and (ii) UFSI at entity level.

The goodwill of the Group and the Parent Bank is allocated to the following CGUs:

	Group		Parent Bank	
	2025	2024	2025	2024
Parent Bank				
Parent Bank's Credit card/Personal Loan Business	₱35,452,798	₱35,452,798	₱35,452,798	₱35,452,798
Parent Bank's Retail Commercial and Corporate*	5,086,973	3,208,998	5,086,973	3,208,998
Parent Bank's Personal Banking and SME Banking**	2,799,925	4,677,900	2,799,925	4,677,900
	43,339,696	43,339,696	43,339,696	43,339,696
CSB				
CSB's DepEd Salary Loans Business	3,371,353	3,371,353	—	—
CSB's Motorcycle Loans Business***	2,729,424	2,729,424	—	—
	6,100,777	6,100,777	—	—
UFSI	3,720,835	3,720,835	—	—
PETNET	715,118	715,118	—	—
Bangko Kabayan	116,139	116,139	—	—
	₱53,992,565	₱53,992,565	₱43,339,696	₱43,339,696

*formerly Parent Bank's Institutional Banking

**formerly Parent Bank's Retail Banking

***Goodwill of ₱3.48 billion, net of accumulated impairment recognized of ₱752.77 million, arising from the acquisition of PR Savings Bank.



In 2025, the Parent Bank revised its internal reporting structure for Retail Banking Center to align with changes in the way management monitors business performance and allocates resources. This resulted in a change to the Parent Bank's reportable operating segments in accordance with PFRS 8, *Operating Segments* (see Note 6). The change in reporting structure altered the composition of CGUs associated with the goodwill from the acquisition of iBank, requiring the goodwill to be reallocated in accordance with PAS 36, *Impairment of Assets*.

The reallocation was performed based on the allocation approach that estimates the expected economic benefits from the reconstituted CGUs. As a result, the goodwill from the acquisition of iBank allocated to the Parent Bank's Retail Commercial and Corporate and Personal Banking and SME Banking segments amounted to ₱5.1 billion and ₱2.8 billion, respectively, as of December 31, 2025, compared to ₱3.2 billion and ₱4.7 billion, respectively, as of December 31, 2024.

The Group performs its annual impairment test in December of each year, unless indicators for impairment warrant earlier reassessment. The Group considers various internal and external sources of information in assessing whether there is any indication that goodwill is impaired including if there are significant changes with an adverse effect on the CGUs that have taken place during the period in the technological, market, economic or legal environment in which the Group operates.

The recoverable amount of the Group's CGUs has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions in VIU calculation of CGUs which are most sensitive include the long-term growth rate and discount rate. Future cash flows and growth rates were based on historical experiences and strategies developed. The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to a comparable entity, market observable inputs and assumptions consistent with the valuation practice. Refer to Note 3 for the disclosure of assumptions used in the impairment assessment.

In 2025 and 2024, the Group performed its annual impairment test and noted that there is no impairment to be recognized for the CGUs (see Note 3).



19. Other Resources

The composition of Other resources account as of December 31 follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Computer software - net	₱14,488,792	₱10,168,398	₱12,056,396	₱7,466,441
Deferred tax assets (Note 30)	11,541,903	10,481,236	7,921,083	7,365,133
Customer relationships - net	3,635,375	3,978,875	3,635,375	3,978,875
Software under development	3,220,720	8,280,868	2,586,119	7,807,156
Core deposits - net	2,847,315	3,137,029	2,779,637	3,042,280
Deferred charges	2,353,251	2,384,698	1,214,095	1,423,915
Prepaid expenses	2,012,130	1,698,664	1,086,326	720,850
Creditable withholding taxes	956,213	1,259,698	837,614	1,173,413
Documentary stamps	385,189	592,820	253,472	292,757
Deposits and other investments	380,037	1,142,469	251,034	1,065,905
Sundry debits	270,889	1,549,047	266,263	1,549,021
Net retirement asset (Note 29)	152,201	129,020	–	–
Miscellaneous	2,297,981	1,994,964	990,034	639,980
	44,541,996	46,797,786	33,877,448	36,525,726
Allowance for impairment (Note 20)	(126,986)	(112,644)	(20,967)	(3,771)
	₱44,415,010	₱46,685,142	₱33,856,481	₱36,521,955

Movements in the Computer software, Customer relationship and Core deposits accounts follow:

	Group		
	Computer Software	Customer Relationship	Core Deposits
Balances at January 1, 2025, net of accumulated amortization	₱10,168,398	₱3,978,875	₱3,137,029
Reclassifications/adjustments*	5,988,476	–	–
Amortization charges for the year	(1,668,082)	(343,500)	(289,714)
Balances at December 31, 2025, net of accumulated amortization	₱14,488,792	₱3,635,375	₱2,847,315
Balances at January 1, 2024, net of accumulated amortization	₱5,327,888	₱4,322,375	₱3,426,743
Reclassifications/adjustments*	5,599,390	–	–
Amortization charges for the year	(758,880)	(343,500)	(289,714)
Balances at December 31, 2024, net of accumulated amortization	₱10,168,398	₱3,978,875	₱3,137,029

*Includes reclassifications from software under development and other adjustments.



**Other Resources and
Allowance for Impairment**

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	Parent Bank		
	Computer Software	Customer Relationship	Core Deposit
Balances at January 1, 2025, net of accumulated amortization	₱7,466,441	₱3,978,875	₱3,042,280
Reclassifications/adjustments*	5,633,772	-	-
Amortization charges for the year	(758,880)	(343,500)	(289,714)
Balances at December 31, 2025, net of accumulated amortization	₱12,056,396	₱3,635,375	₱2,779,637
Balances at January 1, 2024, net of accumulated amortization	₱3,182,556	₱4,322,375	₱3,304,923
Reclassifications/adjustments*	4,701,527	-	-
Amortization charges for the year	(417,642)	(343,500)	(262,643)
Balances at December 31, 2024, net of accumulated amortization	₱7,466,441	₱3,978,875	₱3,042,280

*Includes reclassifications from software under development and other adjustments

20. Allowance for Impairment

The breakdown of allowance for impairment is shown in the table below:

	Group		Parent Bank	
	2025	2024	2025	2024
Receivable from customers (Note 14)	₱27,289,035	₱22,870,642	₱18,362,839	₱17,194,228
Other receivables (Note 14)	1,020,906	1,208,606	902,504	781,187
Investments and placements (Notes 9 and 12)	336,329	330,518	335,919	327,718
Others (Notes 17 and 19)	276,046	212,876	117,003	66,674
	₱28,922,316	₱24,622,642	₱19,718,265	₱18,369,807

Allowance for impairment of investments and placements include the Group's and the Parent Bank's financial assets at amortized cost, due from other banks and interbank loans receivable. Others refer to allowance for impairment of investment properties and other resources.

With the foregoing level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance for any losses that the Group may incur from the non-collection or nonrealization of its receivables and other risk assets. The reconciliation of allowance for the total receivables from customers follows.



Group - Total Receivables from Customers

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱3,621,583	₱2,138,341	₱17,110,718	₱22,870,642
Newly originated assets that remained in Stage 1 as of December 31, 2025**	1,169,498	–	–	1,169,498
Newly originated assets that moved to Stage 2 and Stage 3 as of December 31, 2025*	–	328,197	2,233,230	2,561,427
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs)**.	466,109	(174,202)	1,678,566	1,970,473
Transfers to Stage 1	972,119	(395,749)	(576,370)	–
Transfers to Stage 2	(251,028)	473,736	(222,708)	–
Transfers to Stage 3	(960,382)	(1,126,234)	2,086,616	–
Impact on ECL of exposures transferred between stages	(853,835)	682,478	12,941,310	12,769,953
Amounts written-off	–	–	(14,052,958)	(14,052,958)
Balances at end of year	₱4,164,064	₱1,926,567	₱21,198,404	₱27,289,035

*Includes effect on the availment of new customers of credit cards

**Includes effect on the availment of existing customers of credit cards.

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱3,603,258	₱1,357,576	₱14,205,652	₱19,166,486
Newly originated assets that remained in Stage 1 as of December 31, 2024*	973,475	–	–	973,475
Newly originated assets that moved to Stage 2 and Stage 3 as of December 31, 2024*	–	571,884	2,116,811	2,688,695
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs)**.	(264,290)	(131,573)	376,960	(18,903)
Transfers to Stage 1	446,020	(106,391)	(339,629)	–
Transfers to Stage 2	(259,449)	429,452	(170,003)	–
Transfers to Stage 3	(706,942)	(845,598)	1,552,540	–
Impact on ECL of exposures transferred between stages	(170,489)	862,991	14,773,040	15,465,542
Amounts written-off	–	–	(15,404,653)	(15,404,653)
Balances at end of year	₱3,621,583	₱2,138,341	₱17,110,718	₱22,870,642

*Includes effect on the availment of new customers of credit cards

**Includes effect on the availment of existing customers of credit cards.

Parent Bank - Total Receivables from Customers

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱3,097,474	₱1,974,122	₱12,122,632	₱17,194,228
Newly originated assets that remained in Stage 1 as of December 31, 2025*	663,497	–	–	663,497
Newly originated assets that moved to Stage 2 and Stage 3 as of December 31, 2025*	–	238,105	1,589,911	1,828,016
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs)**.	79,135	(333,766)	(1,523,435)	(1,778,066)
Transfers to Stage 1	968,527	(392,715)	(575,812)	–
Transfers to Stage 2	(235,548)	457,921	(222,373)	–
Transfers to Stage 3	(284,951)	(809,960)	1,094,911	–
Impact on ECL of exposures transferred between stages	(861,403)	682,844	12,906,625	12,728,066
Amounts written-off	–	–	(12,272,902)	(12,272,902)
Balances at end of year	₱3,426,731	₱1,816,551	₱13,119,557	₱18,362,839

*Includes effect on the availment of new customers of credit cards

**Includes effect on the availment of existing customers of credit cards.



	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱3,215,569	₱1,186,605	₱9,013,465	₱13,415,639
Newly originated assets that remained in Stage 1 as of December 31, 2024*	780,611	–	–	780,611
Newly originated assets that moved to Stage 2 and Stage 3 as of December 31, 2024*	–	533,265	1,499,425	2,032,690
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs)**.	(402,457)	(102,472)	508,332	3,403
Transfers to Stage 1	412,044	(100,408)	(311,636)	–
Transfers to Stage 2	(169,836)	326,665	(156,829)	–
Transfers to Stage 3	(368,103)	(722,880)	1,090,983	–
Impact on ECL of exposures transferred between stages	(370,354)	853,347	9,443,591	9,926,584
Amounts written-off	–	–	(8,964,699)	(8,964,699)
Balances at end of year	₱3,097,474	₱1,974,122	₱12,122,632	₱17,194,228

*Includes effect on the availment of new customers of credit cards

**Includes effect on the availment of existing customers of credit cards.

Reconciliation of the allowance for impairment by class follows:

Group and Parent Bank - Corporate Loans -

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱31,910	₱188,560	₱172,339	₱392,809
Newly originated assets that remained in Stage 1 as of December 31, 2025	14,006	–	–	14,006
Newly originated assets that moved to Stage 2 and Stage 3 as of December 31, 2025	–	43,126	19,167	62,293
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	(16,808)	26,058	8,531	17,781
Transfers to Stage 2	(123)	123	–	–
Transfers to Stage 3	–	(155)	155	–
Impact on ECL of exposures transferred between stages	–	(12)	930	918
Balances at end of year	₱28,985	₱257,700	₱201,122	₱487,807

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱68,149	₱190,708	₱100,977	₱359,834
Newly originated assets that remained in Stage 1 as of December 31, 2024	17,672	–	–	17,672
Newly originated assets that moved to Stage 2 and Stage 3 as of December 31, 2024	–	11,142	165,048	176,190
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	(52,185)	(16,499)	(100,976)	(169,660)
Transfers to Stage 2	(1,706)	1,706	–	–
Transfers to Stage 3	(20)	–	20	–
Impact on ECL of exposures transferred between stages	–	1,503	7,270	8,773
Balances at end of year	₱31,910	₱188,560	₱172,339	₱392,809

In 2025 and 2024, there were no write-offs for corporate loans.



Group and Parent Bank - Commercial Loans

	2025			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱191,209	₱126,360	₱5,846,823	₱6,164,392
Newly originated assets that remained in Stage 1 as of December 31, 2025	168,222	–	–	168,222
Newly originated assets that moved to Stage 2 & 3 as of December 31, 2025	–	37,667	804,692	842,359
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	(181,827)	(121,887)	(1,556,175)	(1,859,889)
Transfers to Stage 1	966	(966)	–	–
Transfers to Stage 2	(2,320)	10,171	(7,851)	–
Transfers to Stage 3	(549)	(2,069)	2,618	–
Impact on ECL of exposures transferred between stages	(791)	(6,717)	49,197	41,689
Balances at end of year	₱174,910	₱42,559	₱5,139,304	₱5,356,773

	2024			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱289,655	₱91,694	₱4,704,401	₱5,085,750
Newly originated assets that remained in Stage 1 as of December 31, 2024	179,222	–	–	179,222
Newly originated assets that moved to Stage 2 & 3 as of December 31, 2024	–	124,224	129,872	254,096
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	(256,115)	(55,304)	868,032	556,613
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(20,756)	20,756	–	–
Transfers to Stage 3	(797)	(35,702)	36,499	–
Impact on ECL of exposures transferred between stages	–	(19,308)	108,019	88,711
Balances at end of year	₱191,209	₱126,360	₱5,846,823	₱6,164,392

In 2025 and 2024, there were no write-offs for commercial loans.

Group and Parent Bank - Home Loans

	2025			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱349,152	₱221,019	₱1,557,686	₱2,127,857
Newly originated assets that remained in Stage 1 as of December 31, 2025	36,760	–	–	36,760
Newly originated assets that moved to Stage 3 as of December 31, 2025	–	7,929	34,049	41,978
Impact of changes in ECL model and assumptions, and effect of collections and other movements in receivable balance (excluding write-offs).	(63,001)	(17,719)	(180,515)	(261,235)
Transfers to Stage 1	360,045	(90,189)	(269,856)	–
Transfers to Stage 2	(26,315)	70,495	(44,180)	–
Transfers to Stage 3	(16,877)	(54,735)	71,612	–
Impact on ECL of exposures transferred between stages	(315,828)	45,371	356,917	86,460
Amounts written-off	–	–	(48,210)	(48,210)
Balances at end of year	₱323,936	₱182,171	₱1,477,503	₱1,983,610



	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱471,644	₱84,063	₱1,628,257	₱2,183,964
Newly originated assets that remained in Stage 1 as of December 31, 2024	43,593	–	–	43,593
Newly originated assets that moved to Stage 3 as of December 31, 2024	–	9,336	27,303	36,639
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	(173,950)	26,901	(299,479)	(446,528)
Transfers to Stage 1	264,019	(27,405)	(236,614)	–
Transfers to Stage 2	(9,370)	137,040	(127,670)	–
Transfers to Stage 3	(10,631)	(32,043)	42,674	–
Impact on ECL of exposures transferred between stages	(236,153)	23,127	523,215	310,189
Amounts written-off	–	–	–	–
Balances at end of year	₱349,152	₱221,019	₱1,557,686	₱2,127,857

Consumer Products - Group and Parent Bank

Consumer Products include auto loans, business line, credit cards, personal loans and SME financial products.

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱2,498,853	₱1,424,925	₱4,208,296	₱8,132,074
Newly originated assets that remained in Stage 1 as of December 31, 2025*	424,562	–	–	424,562
Newly originated assets that moved to Stage 3 as of December 31, 2025*	–	145,512	715,552	861,064
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs)**.	355,023	(208,028)	131,529	278,524
Transfers to Stage 1	606,594	(300,830)	(305,764)	–
Transfers to Stage 2	(206,617)	374,387	(167,770)	–
Transfers to Stage 3	(267,226)	(749,023)	1,016,249	–
Impact on ECL of exposures transferred between stages	(543,888)	640,830	12,463,715	12,560,657
Amounts written-off	–	–	(12,151,446)	(12,151,446)
Balances at end of year	₱2,867,301	₱1,327,773	₱5,910,361	₱10,105,435

*Includes effect on the availment of new customers of credit cards

**Includes effect on the availment of existing customers of credit cards.

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱2,356,872	₱807,939	₱2,310,723	₱5,475,534
Newly originated assets that remained in Stage 1 as of December 31, 2024*	524,922	–	–	524,922
Newly originated assets that moved to Stage 3 as of December 31, 2024*	–	383,692	1,118,915	1,502,607
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs)**.	96,882	(58,787)	79,646	117,741
Transfers to Stage 1	144,665	(72,745)	(71,920)	–
Transfers to Stage 2	(137,951)	166,648	(28,697)	–
Transfers to Stage 3	(355,576)	(648,196)	1,003,772	–
Impact on ECL of exposures transferred between stages	(130,961)	846,374	8,722,748	9,438,161
Amounts written-off	–	–	(8,926,891)	(8,926,891)
Balances at end of year	₱2,498,853	₱1,424,925	₱4,208,296	₱8,132,074

*Includes effect on the availment of new customers of credit cards

**Includes effect on the availment of existing customers of credit cards.



CSB Salary Loans – Group

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱36,980	₱104,810	₱1,007,243	₱1,149,033
Newly originated assets that remained in Stage 1 as of December 31, 2025	223,687	–	–	223,687
Newly originated assets that moved to Stage 2 and Stage 3 as of December 31, 2025	–	7,835	147,665	155,500
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	204,283	(66,040)	1,349,583	1,487,826
Transfers to Stage 1	2,215	(2,028)	(187)	–
Transfers to Stage 2	(1,191)	1,191	–	–
Transfers to Stage 3	(164,322)	(36,601)	200,923	–
Amounts written-off	–	–	(133,893)	(133,893)
Balances at end of year	₱301,652	₱9,167	₱2,571,334	₱2,882,153

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱132,173	₱44,336	₱1,068,123	₱1,244,632
Newly originated assets that remained in Stage 1 as of December 31, 2024	15,718	–	–	15,718
Newly originated assets that moved to Stage 2 and Stage 3 as of December 31, 2024	–	13,144	96,472	109,616
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	295,627	10,635	140,861	447,123
Transfers to Stage 1	435	(426)	(9)	–
Transfers to Stage 2	(86,660)	86,666	(6)	–
Transfers to Stage 3	(320,313)	(49,545)	369,858	–
Amounts written-off	–	–	(668,056)	(668,056)
Balances at end of year	₱36,980	₱104,810	₱1,007,243	₱1,149,033

Other Receivables from Customers

Other receivables from customers of the Group and the Parent Bank include small portfolios such as, with respect to the Parent Bank (i) HR loans, (ii) bills purchased and (iii) customer liabilities under acceptances, (iv) home credit receivables, (v) teacher's loans acquired from CSB and, with respect to the subsidiaries, (i) personal loans, and (ii) motorcycle loans.

Group

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱513,479	₱72,667	₱4,318,331	₱4,904,477
Newly originated assets that remained in Stage 1 as of December 31, 2025	302,261	–	–	302,261
Newly originated assets that moved to Stage 3 as of December 31, 2025	–	86,128	512,105	598,233
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	168,439	213,414	1,925,613	2,307,466
Transfers to Stage 1	2,299	(1,736)	(563)	–
Transfers to Stage 2	(14,462)	17,369	(2,907)	–
Transfers to Stage 3	(511,408)	(283,651)	795,059	–
Impact on ECL of exposures transferred between stages	6,672	3,006	70,551	80,229
Amounts written-off	–	–	(1,719,409)	(1,719,409)
Balances at end of year	₱467,280	₱107,197	₱5,898,780	₱6,473,257



	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱284,765	₱138,836	₱4,393,171	₱4,816,772
Newly originated assets that remained in Stage 1 as of December 31, 2024	192,348	–	–	192,348
Newly originated assets that moved to Stage 3 as of December 31, 2024	–	30,346	579,201	609,547
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	(174,549)	(38,519)	(311,124)	(524,192)
Transfers to Stage 1	36,902	(5,815)	(31,087)	–
Transfers to Stage 2	(3,006)	16,636	(13,630)	–
Transfers to Stage 3	(19,605)	(80,112)	99,717	–
Impact on ECL of exposures transferred between stages	196,624	11,295	5,196,010	5,403,929
Amounts written-off	–	–	(5,593,927)	(5,593,927)
Balances at end of year	₱513,479	₱72,667	₱4,318,331	₱4,904,477

Parent Bank

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱26,350	₱13,258	₱337,488	₱377,096
Newly originated assets that remained in Stage 1 as of December 31, 2025	19,947	–	–	19,947
Newly originated assets that moved to Stage 3 as of December 31, 2025	–	3,871	16,451	20,322
Impact of changes in ECL model and assumptions and effect of collections and other movements in receivable balance (excluding write-offs).	(14,252)	(12,190)	73,195	46,753
Transfers to Stage 1	922	(730)	(192)	–
Transfers to Stage 2	(173)	2,745	(2,572)	–
Transfers to Stage 3	(299)	(3,978)	4,277	–
Impact on ECL of exposures transferred between stages	(896)	3,372	35,866	38,342
Amounts written-off	–	–	(73,246)	(73,246)
Balances at end of year	₱31,599	₱6,348	₱391,267	₱429,214

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱29,249	₱12,201	₱269,107	₱310,557
Newly originated assets that remained in Stage 1 as of December 31, 2024	15,202	–	–	15,202
Newly originated assets that moved to Stage 3 as of December 31, 2024	–	4,871	58,287	63,158
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(17,089)	1,217	(38,891)	(54,763)
Transfers to Stage 1	3,360	(258)	(3,102)	–
Transfers to Stage 2	(53)	515	(462)	–
Transfers to Stage 3	(1,079)	(6,939)	8,018	–
Impact on ECL of exposures transferred between stages	(3,240)	1,651	82,339	80,750
Amounts written-off	–	–	(37,808)	(37,808)
Balances at end of year	₱26,350	₱13,258	₱337,488	₱377,096



Investments and PlacementsGroup

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱42,000	₱288,519	₱-	₱330,519
Newly originated assets that remained in Stage 1 as of December 31, 2025	738	-	-	738
Effect of collections and other movements in receivable balance (excluding write-offs)	(17,737)	22,915	-	5,178
Balances at end of year	₱25,001	₱311,434	₱-	₱336,435

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱37,997	₱278,641	₱-	₱316,638
Newly originated assets that remained in Stage 1 as of December 31, 2024	6,971	-	-	6,971
Effect of collections and other movements in receivable balance (excluding write-offs)	(2,968)	9,878	-	6,910
Balances at end of year	₱42,000	₱288,519	₱-	₱330,519

Parent Bank

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱39,199	₱288,519	₱-	₱327,718
Newly originated assets that remained in Stage 1 as of December 31, 2025	222	-	-	222
Effect of collections and other movements in receivable balance (excluding write-offs)	(14,936)	22,915	-	7,979
Balances at end of year	₱24,485	₱311,434	₱-	₱335,919

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱33,877	₱278,641	₱-	₱312,518
Newly originated assets that remained in Stage 1 as of December 31, 2024	6,971	-	-	6,971
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,649)	9,878	-	8,229
Balances at end of year	₱39,199	₱288,519	₱-	₱327,718



21. Deposit Liabilities

The breakdown of deposit liabilities account follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Due to banks:				
Demand	₱947,640	₱1,177,426	₱947,615	₱1,177,399
Savings	271,065	266,068	242,116	228,263
Time	17,023	31,865	12,354	17,241
	1,235,728	1,475,359	1,202,085	1,422,903
Due to customers:				
Demand	266,071,491	230,200,543	266,637,869	231,506,045
Savings	232,696,902	215,276,830	224,298,070	208,153,412
Time	234,029,667	229,370,064	128,008,917	131,399,530
	732,798,060	674,847,437	618,944,856	571,058,987
	₱734,033,788	₱676,322,796	₱620,146,941	₱572,481,890

The breakdown of deposit liabilities account as to currency follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Philippine pesos	₱582,248,406	₱541,061,450	₱468,360,363	₱437,219,348
Foreign currencies	151,785,382	135,261,346	151,786,578	135,262,542
	₱734,033,788	₱676,322,796	₱620,146,941	₱572,481,890

Deposit liabilities bear annual fixed interest rates ranging from 0.00% to 5.25% in 2025, from 0.00% to 7.50% in 2024, and from 0.00% to 7.00% in 2023 for the Group and from 0.00% to 5.25% in 2025, from 0.03% to 5.10% in 2024, and from 0.00% to 6.00% in 2023 for the Parent Bank.

Interest expense on the deposit liabilities amounted to ₱9.44 billion, ₱12.49 billion, and ₱15.79 billion in 2025, 2024 and 2023, respectively, in the Group's statements of income, and ₱3.35 billion, ₱5.78 billion, and ₱9.46 billion in 2025, 2024 and 2023, respectively, in the Parent Bank's statements of income.

Under existing BSP regulations at the start of 2023, non-FCDU deposit liabilities of the Bank are subject to unified reserve requirement equivalent to 12.0% (under BSP Circular No. 1092). In 2023, BSP Circular No. 1175 reduced the reserve requirement to 9.5%, 6.0%, 2.0% and 1.0% for universal and commercial banks, digital banks, thrift banks, and rural banks, respectively, effective reserve week June 30, 2023. In 2024, BSP Circular No. 1201 further reduced the reserve requirement to 7.0%, 4.0%, 1.0% and nil, for universal and commercial banks, digital banks, thrift banks, and rural banks, respectively, effective reserve week beginning October 25, 2024. In March 2025, BSP Circular No. 1211 further reduced the reserve requirement to 5.0%, 2.5%, nil and nil, for universal and commercial banks, digital banks, thrift banks, and rural banks, respectively, effective reserve week beginning March 28 2025.

Required reserves as of December 31, 2025 and 2024 amounted to ₱31.57 billion and ₱32.04 billion, respectively, for the Group, and ₱31.37 billion and ₱30.51 billion, respectively, for the Parent Bank (see Note 8).



22. Bills Payable

Bills payable consist of borrowings from:

	Group		Parent Bank	
	2025	2024	2025	2024
Banks, other financial institutions and individuals	₱131,828,082	₱162,009,917	₱100,242,449	₱125,923,180
Others	181,824	246,462	181,824	246,462
	₱132,009,906	₱162,256,379	₱100,424,273	₱126,169,642

Bills payable to banks and other financial institutions consist mainly of amortized cost balance of short, medium and long-term borrowings. Certain bills payable to banks and other financial institutions are collateralized by investment securities (see Note 12).

The breakdown of bills payable as to currency follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Philippine pesos	₱75,982,677	₱89,022,209	₱44,397,044	₱52,935,472
Foreign currencies	56,027,229	73,234,170	56,027,229	73,234,170
	₱132,009,906	₱162,256,379	₱100,424,273	₱126,169,642

The breakdown of interest expense on bills payable, which is presented as part of Interest expense on bills payable and other liabilities account in the statements of income, follows:

	Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
Banks, other financial institutions and individuals	₱7,683,551	₱10,162,425	₱8,466,972	₱5,651,187	₱7,647,926	₱6,263,551
BSP	917	–	87,028	917	–	87,028
Others	95	272	327	95	272	327
	₱7,684,563	₱10,162,697	₱8,554,327	₱5,652,199	₱7,648,198	₱6,350,906

The range of interest rates of bills payable per currency follows:

	Group and Parent Bank		
	2025	2024	2023
Philippine pesos	4.90% to 6.05%	4.50% to 8.37%	3.50% to 8.37%
Foreign currencies	0.07% to 5.38%	1.20% to 6.41%	0.32% to 6.41%



23. Notes and Bonds Payable

The Group's and the Parent Bank's notes and bonds payable as of December 31, 2025 and 2024 consist of the following:

	Coupon Interest	Principal Amount	Outstanding Balance		Issue Date	Maturity Date	First Call Option Date
			December 31, 2025	December 31, 2024			
Peso Senior Series H Bonds Due 2026	5.880%	₱9,250,700	₱9,192,036	₱-	June 26, 2025	December 26, 2026	
USD Social Bonds Due 2028	5.619%*	8,818,500	8,797,880	8,647,015	July 23, 2021	July 23, 2028	
Peso Senior Series G Bonds Due 2026	6.680%	7,829,500	7,806,659	7,792,794	December 5, 2023	December 5, 2026	
Peso Senior Series I Bonds Due 2028	6.020%	6,749,300	6,695,887	-	June 26, 2025	June 26, 2028	
Peso Senior Series D Bonds Due 2026	3.375%	885,000	882,651	886,602	December 9, 2020	March 9, 2026	
USD Senior Medium Term Notes Due 2025	2.125%	17,637,000	-	17,333,327	October 22, 2020	October 22, 2025	
Peso Senior Series F Bonds Due 2025	6.563%	10,338,500	-	10,296,528	December 5, 2023	June 5, 2025	
Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025	5.250%	6,800,000	-	6,768,021	February 24, 2020	May 24, 2030	May 24, 2025
Total for Parent Bank		68,308,500	33,375,113	51,724,287			
Peso Social Bond	6.535% - 5.909%	5,864,500	5,850,224	5,841,295	June 20, 2024	June 21, 2027	
Others	6.750%	436,827	436,827	-			
Total for Group		₱74,609,827	₱39,662,164	₱57,565,582			

*floating interest rate based on prevailing SOFR as of December 31, 2025

Peso Senior Series H Bonds Due 2026 and Peso Senior Series I Bonds Due 2028

On June 25, 2025, the Bank issued its ₱16.0 billion of Peso denominated fixed rate bonds. The Bonds were issued under the Bank's PHP Bond Program with an increased Bond Limit of up to ₱100 billion as approved by the BOD on February 28, 2025.

The 1.5Y Series H Bonds due 2026 raised a total of ₱9.25 billion and carries an interest rate of 5.88% per annum, while the 3Y Series I Bonds due 2028 raised a total of ₱6.75 billion and carries an interest rate of 6.02% per annum (collectively, the "Bonds"). Proceeds from the issuance shall be used to extend term liabilities, expand funding base, support business expansion plans, and for other general corporate purposes. The Bonds were listed on the Philippine Dealing & Exchange Corp. (PDEX) on June 26, 2025.

USD Social Bonds Due 2028

The International Finance Corporation (IFC) invested in a USD150 million social bond issued by the Bank under its sustainable finance framework. The social bond carries a floating rate interest and is unsecured. It is the first social bond by the Parent Bank and its longest-term USD-denominated bond to date. Proceeds from the bond were used to finance loans to micro, small and medium-sized enterprises (MSMEs).

The Parent Bank shall at all times maintain, and abstain from any action which may result in the breach of, several financial parameters provided in the subscription agreement with IFC.

Peso Senior Series F Bonds Due 2025 and Peso Senior Series G Bonds Due 2026

On December 5, 2023, the Bank issued and listed on the PDEX its ₱18.17 billion of Peso denominated fixed rate bonds via a dual tranche offering. This is the largest bond issuance by the Bank from its ₱50.00 billion Bonds Program, which received strong demand from both retail and institutional investors. This enabled the Bank to upsize the issuance to over nine times its initial minimum offer size of ₱2.00 billion for the two tranches.



The 1.5Y Series F Bonds due 2025 raised a total of ₱10.34 billion and carried an interest rate of 6.56% per annum while the 3Y Series G Bonds due 2026 raised a total of ₱7.83 billion and carries an interest rate of 6.68% per annum (collectively, the “New Bonds”). The Series F Bonds were fully redeemed on its maturity last June 5, 2025.

Concurrent with the issuance of the New Bonds, the Bank also implemented the country’s first public non-sovereign bond exchange which extended to the holders of its ₱8.12 billion 2.75% Fixed Rate Series C Bonds due December 9, 2023 (the “Exchangeable Bonds”) the option to sell to UnionBank such Exchangeable Bonds in exchange for subscription to any of the New Bonds (the “Bond Exchange”). The Bond Exchange settlement date was on December 4, 2023, with ₱236.70 million of Exchangeable Bonds to be exchanged with the New Bonds.

Peso Senior Series D Bonds Due 2026

These fixed rate Senior Series Bonds Due 2026 amounting to ₱885.0 million formed part of the Bank’s dual-tranche issuance on December 9, 2020. The Bonds were issued under the existing ₱39 Billion Corporate Bonds Program of the Bank.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date. The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Bank.

USD Senior Medium Term Notes Due 2025

These USD300 million Senior Medium Term Notes Due 2025 were issued under the updated USD2 Billion MTN Programme of the Parent Bank and were also rated Baa2 by Moody’s. The Notes were also listed on the Singapore Exchange Securities Trading Limited.

The Notes constituted direct, unconditional, unsubordinated and (subject to the Terms and Conditions of the issuance) unsecured obligations of the Parent Bank and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Parent Bank from time to time outstanding. The Notes were fully redeemed on its maturity last October 22, 2025.

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date. The Notes were early redeemed on its first call option date last May 24, 2025.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.



The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting “Tier 2” capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting “Tier 1” capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

CSB Peso Social Bond Due 2027

IFC subscribed to fixed-rate ₱5.8 billion social bond issued by CSB to finance CSB's lending operations in respect of Eligible Sub-loans in accordance with the ICMA and ASEAN Social Bond Principles and this Agreement. The social bond shall rank at least *pari passu* with the claims of all its other senior and unsubordinated creditors, except for the obligations mandatorily preferred established under Philippine laws.

CSB shall at all times maintain and abstain from any action, which may result in the breach of the “Conditions of Subscription” with IFC.

Others

Others comprise of PETNET's various bank loans which bear annual interest rates ranging from 6.15% to 6.75%, with terms ranging from 60 to 90 days. These bank loans represent drawdowns from PETNET's unsecured credit line with local banks, which are used to finance transactions during the holidays and long weekends

Others also include the short-term loan availed by UBX on November 7, 2025, in the amount of ₱20.0 million with a certain local bank due to be paid on January 7, 2026. The loan is unsecured and carries a fixed interest rate of 6.70% per annum.

The interest expense on notes and bonds payable amounted to ₱2.85 billion, ₱2.91 billion, and ₱2.12 billion in 2025, 2024 and 2023, respectively, for the Group, and ₱2.39 billion, ₱2.64 billion, and ₱2.08 billion in 2025, 2024 and 2023, respectively, for the Parent Bank. These are included under Interest Expense on Bills payable and other liabilities account in the statements of income.

As of December 31, 2025 and 2024, the Group is in compliance with all the debt covenants on the above notes and bonds.



24. Other Liabilities

Other liabilities consist of the following as of December 31:

	Group		Parent Bank	
	2025	2024	2025	2024
Accounts payable	₱11,472,811	₱14,650,894	₱9,783,687	₱13,380,470
Accrued taxes and other expenses	10,942,549	11,812,911	8,723,515	9,452,687
Manager's checks	7,204,971	8,494,370	7,204,403	8,488,258
Sundry credits	4,739,068	2,563,450	4,006,038	2,243,567
Other credits - dormant	3,053,032	3,039,115	2,927,561	2,914,182
Payment orders payable	2,548,337	1,585,421	2,548,337	1,585,421
Derivative liabilities (Note 11)	2,497,440	3,088,312	2,497,440	3,088,312
Bills purchased - domestic and foreign	2,193,337	2,450,166	2,193,337	2,450,166
Post-employment defined benefit obligation (Note 29)	1,951,429	1,335,849	1,517,789	885,923
Lease liabilities	1,712,628	1,625,925	1,292,379	1,238,395
Unearned income - bancassurance (Note 31)	295,129	442,693	295,129	442,693
Miscellaneous	2,296,016	2,139,550	2,023,122	1,928,717
	₱50,906,747	₱53,228,656	₱45,012,737	₱48,098,791

The breakdown of Accrued taxes and other expenses account follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Accrued interest payable	₱2,358,557	₱2,808,646	₱1,478,478	₱1,592,531
Accrued income and other taxes	1,161,795	1,146,076	829,758	928,064
Other accruals	7,422,197	7,858,189	6,415,279	6,932,092
	₱10,942,549	₱11,812,911	₱8,723,515	₱9,452,687

Other accruals represent mainly fringe and other personnel benefits.

Set out below is the carrying amount of lease liabilities and the movements during the year:

	Group		Parent Bank	
	2025	2024	2025	2024
Balance at beginning of year	₱1,625,925	₱1,551,143	₱1,238,395	₱1,180,973
Additions	773,119	731,139	589,276	561,627
Payments	(739,622)	(724,806)	(564,150)	(552,358)
Accretion of interest (Note 33)	104,116	68,449	79,625	48,153
Lease termination	(50,910)	–	(50,767)	–
Balance at end of year	₱1,712,628	₱1,625,925	₱1,292,379	₱1,238,395

Accretion of interest is included as part of Interest expense on bills payable and other liabilities account in the statements of income.

As at December 31, 2025 and 2024, the Group has no lease commitments which have not yet commenced.

The unearned income represents the unamortized portion of the Exclusive Access Fees (EAF) arising from the Parent Bank's bancassurance agreement with a related party (see Note 31).



25. Capital Funds

Capital Stock

The Parent Bank's capital stock as of December 31, 2025 and 2024 consists of the following:

	Shares		Amount	
	2025	2024	2025	2024
Common – ₱10 par value				
Authorized	5,030,785,238	5,030,785,238	₱50,307,852	₱50,307,852
Issued	3,316,405,584	3,316,405,584	33,164,056	33,164,056
Treasury stock	–	–	–	–
Issued and outstanding	3,316,405,584	3,316,405,584	₱33,164,056	₱33,164,056
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱10,000,000
Issued and outstanding	–	–	–	–

On June 29, 1992, the Bank was originally listed with the then Makati Stock Exchange, now PSE. A total of 89.7 million shares were issued at an issue price of ₱22.50. As of December 31, 2025 and 2024, there are 3,315.7 million shares and 3,315.0 million shares, respectively, listed at the PSE. The number of holders and the closing price of the said shares is 4,942 and ₱26.60 per share, respectively, as of December 31, 2025, and 4,954 and ₱36.00 per share, respectively, as of December 31, 2024.

The historical information on the Bank's share issuances, beginning with its initial public offering and including all subsequent issuances, is set out below:

Issuance	PSE Listing Date	Number of Shares Listed
Initial Listing	June 29, 1992	89,660,126
Stock Dividends	February 26, 1993	37,630,593
Stock Rights Offering	November 21, 1994	25,458,139
Conversion of International Corporate Bank Shares into UBP shares	December 28, 1994	75,895,800
Stock Dividends	March 23, 1995	34,296,695
Stock Dividends	November 15, 1995	52,559,180
Stock Rights Offering	April 12, 1996	52,557,617
Stock Dividends	March 21, 1997	73,610,486
Pre-Emptive Rights Offering	May 24, 1999	109,588,164
Impact of merger with International Exchange Bank	December 19, 2006	176,464
Stock Rights Offering	May 10, 2007	78,300,000
Over-Allotment	May 21, 2007	11,700,000
Stock Dividends	December 4, 2014	416,921,509
Stock Rights Offering	September 28, 2018	158,805,583
Stock Dividends	January 5, 2022	304,838,842
Employee Stock Plan	February 4, 2022	460,049
Stock Rights Offering	May 16, 2022	617,188,705
Employee Stock Plan	February 2, 2023	878,381
Stock Rights Offering	February 6, 2023	210,970,464
Stock Dividends	January 4, 2024	635,512,928
Employee Stock Plan	February 8, 2024	883,965
Stock Rights Offering	May 31, 2024	327,118,089
Employee Stock Plan	February 7, 2025	707,310
Employee Stock Plan	February 5, 2026	697,339



Issuance of Shares under the Employee Stock Plan

The Bank issued 697,339 shares on February 6, 2023 to qualified employees under the Parent Bank's Employee Stock Plan (ESP), which accounts as the last tranche (see Note 35). A total of 3.6 million common shares were issued over the five-year period.

Treasury Stocks

On March 10, 2023, in accordance with the terms of the ESP and its supporting agreements, the Parent Bank acquired 27,977 common shares at a price per share of ₱74.97 or in the total amount of ₱2.10 million and is presented as Treasury stock in the statement of financial position as of December 31, 2023. The ESP provides that in the event of death or disability of an employee participating in the ESP, the Parent Bank shall buy back shares that have not been previously released to the employee and are subject to a holding period.

On June 28, 2024, the Parent Bank's BOD approved the sale of 27,977 treasury stocks at ₱34.50 per share. The sale was completed on July 1, 2024.

Issuance of Shares through Stock Rights

On May 31, 2024, the Parent Bank issued approximately 327.1 million common shares priced at ₱30.57 per share. The shares were offered to eligible shareholders as of record date of May 9, 2024 at a ratio of 1 right share for every 9.1382 existing common shares. The newly issued shares were listed at the PSE on the same date. Net proceeds to the Parent Bank from the Offer amounted to ₱10.0 billion.

Also on February 6, 2023, the Parent Bank issued approximately 211.0 million common shares priced at ₱56.88 per share. The shares were offered to eligible shareholders as of record date of January 12, 2023 at a ratio of 1 right share for every 10.1536 existing common shares. The newly issued shares were listed at the PSE on the same date. Net proceeds to the Parent Bank from the Offer amounted to ₱11.86 billion.

Distribution of Stock Dividends

On January 4, 2024, the Bank issued 635.5 million common shares at par value of ₱10 for whole shares and paid ₱0.22 million for 2,550.79 fractional shares in relation to the 27% stock dividends approved by the Bank's BOD and stockholders on February 24, 2023 and April 28, 2023, respectively.

Surplus Free

At the annual meeting of the stockholders of the Parent Bank held on April 28, 2023, the stockholders approved the following matters as endorsed by the BOD at its meeting held on February 24, 2023:

- a. Amendment of the Parent Bank's Articles of Incorporation (AOI) to increase the authorized capital stock from ₱35.3 billion to ₱60.3 billion, with the increase of ₱25.0 billion equivalent to 2,500,000,000 common shares with a par value of ₱10.00.
- b. Declaration of 27% stock dividends in the amount of ₱6.4 billion equivalent to 635.5 million common shares with a par value of ₱10.00, to comply with the required 25% subscription of the increase in authorized capital stock.

The stock dividend is presented as Stock dividend distributable in the statement of financial position as of December 31, 2023. Fractional shares resulting from the stock dividend declaration were paid in cash based on the closing rate of ₱87.50 as of February 27, 2023, the next trading day at the PSE following the date of approval by the BOD of the stock dividend declaration and computed up to two (2) decimal places.



On August 1, 2023 and December 5, 2023, the Parent Bank obtained the BSP and the SEC approvals, respectively, for the increase in the authorized capital stock and for the issuance of common shares to stockholders of record as of December 22, 2023 and payment date on January 4, 2024.

The following is a summary of the cash dividends declared and distributed by the Parent Bank in 2025, 2024 and 2023:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
January 31, 2025	February 17, 2025	N/A	February 24, 2025	₱1.00	3,316,405,584	₱3,316,406
January 26, 2024	February 13, 2024	N/A	February 20, 2024	0.80	2,989,259,518	₱2,391,408
February 1, 2023	February 15, 2023	N/A	February 27, 2023	2.00	2,353,774,567	4,707,549

In compliance with BSP regulations, the Parent Bank ensures that adequate reserves are in place for future bank expansion requirements. The foregoing cash dividend declarations were made within the BSP's allowable limit of dividends.

Surplus Reserves

Included in this account is the difference between the 1% general loan loss provision (GLLP) over the computed ECL allowance for credit losses related to Stage 1 accounts, as a required BSP appropriation. As of December 31, 2025 and 2024, surplus reserves related to the difference between GLLP over ECL allowance amounted to ₱2.41 billion and ₱2.49 billion, respectively, for the Group and ₱1.67 billion and ₱1.86 billion, respectively, for the Parent Bank.



26. Maturity Profile of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Group					
	2025			2024		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	P11,419,221	P-	P11,419,221	P10,143,777	P-	P10,143,777
Due from BSP	40,810,142	-	40,810,142	82,146,575	-	82,146,575
Due from other banks	35,324,906	-	35,324,906	33,902,989	-	33,902,989
IBLR and SPURRA	41,160,703	-	41,160,703	1,879,030	-	1,879,030
Trading and investment securities						
at FVTPL	23,897,021	-	23,897,021	10,295,089	-	10,295,089
at amortized cost - gross	11,816,173	297,262,335	309,078,508	27,980,825	295,750,077	323,730,902
at FVOCI	19,893	39,316,620	39,336,513	31,563	39,481,091	39,512,654
Loans and receivables - net of unearned discounts	267,557,434	298,434,874	565,992,308	231,738,442	314,996,622	546,735,064
Other resources	408,321	532,238	940,559	1,601,963	1,270,134	2,872,097
	432,413,814	635,546,067	1,067,959,881	399,720,253	651,497,924	1,051,218,177
Nonfinancial Assets						
Investment in associates	-	963,301	963,301	-	35,755	35,755
Bank premises, furniture, fixtures and equipment	-	22,561,254	22,561,254	-	21,257,446	21,257,446
Investment properties	-	13,516,804	13,516,804	-	13,048,847	13,048,847
Goodwill	-	53,992,565	53,992,565	-	53,992,565	53,992,565
Other resources	3,344,058	40,257,379	43,601,437	3,551,182	40,374,507	43,925,689
	3,344,058	131,291,303	134,635,361	3,551,182	128,709,120	132,260,302
	P435,757,872	P766,837,370	P1,202,595,242	P403,271,435	P780,207,044	P1,183,478,479
Allowance for credit losses and impairment			28,922,316			24,622,640
Accumulated depreciation (Notes 16 and 17)			14,207,420			13,414,867
			43,129,777			38,037,444
			P1,159,465,465			P1,145,441,035
Financial Liabilities						
Deposit liabilities	P703,824,607	P30,209,181	P734,033,788	P650,045,618	P26,277,178	P676,322,796
Bills payable	55,779,665	76,230,241	132,009,906	122,146,186	40,110,193	162,256,379
Notes and bonds payable	17,881,346	21,780,818	39,662,164	34,397,876	23,167,706	57,565,582
Other liabilities	41,636,676	5,517,131	47,153,807	43,926,989	5,573,348	49,500,337
	819,122,294	133,737,371	952,859,665	850,516,669	95,128,425	945,645,094
Nonfinancial Liabilities						
Accrued income and other taxes	1,161,795	-	1,161,795	1,146,076	-	1,146,076
Other liabilities	471,241	2,119,904	2,591,145	456,792	2,125,451	2,582,243
	1,633,036	2,119,904	3,752,940	1,602,868	2,125,451	3,728,319
	P820,755,330	P135,857,275	P956,612,605	P852,119,537	P97,253,876	P949,373,413



Maturity Profile of Assets and Liabilities and Service Charges, Fees and Commissions

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	Parent Bank					
	2025			2024		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	₱10,359,243	₱-	₱10,359,243	₱9,270,243	₱-	₱9,270,243
Due from BSP	33,273,256	-	33,273,256	49,212,089	-	49,212,089
Due from other banks	34,174,382	-	34,174,382	31,149,430	-	31,149,430
IBLR and SPURRA	10,215,703	-	10,215,703	179,030	-	179,030
Trading and investment securities						
at FVTPL	23,839,088	-	23,839,088	10,028,598	-	10,028,598
at amortized cost - gross	11,266,545	287,519,182	298,785,727	27,960,825	285,745,913	313,706,738
at FVOCI	-	39,074,932	39,074,932	31,563	39,219,892	39,251,455
Loans and receivables - net of unearned discounts	251,850,587	185,304,434	437,155,021	214,265,825	209,890,478	424,156,303
Other resources	403,695	251,034	654,729	1,601,937	1,065,905	2,667,842
	375,382,499	512,149,582	887,532,081	343,699,540	535,922,188	879,621,728
Nonfinancial Assets						
Investment in subsidiaries	-	37,748,014	37,748,014	-	37,301,269	37,301,269
Bank premises, furniture, fixtures and equipment	-	17,907,552	17,907,552	-	16,524,071	16,524,071
Investment properties	-	12,228,828	12,228,828	-	11,589,371	11,589,371
Goodwill	-	43,339,696	43,339,696	-	43,339,696	43,339,696
Other resources	2,177,412	31,045,307	33,222,719	2,187,020	31,670,864	33,857,884
	2,177,412	142,269,397	144,446,809	2,187,020	140,425,271	142,612,291
	₱377,559,911	₱654,418,979	₱1,031,978,890	₱345,886,560	₱676,347,459	₱1,022,234,019
Allowance for credit losses and impairment			19,718,200			18,369,742
Accumulated depreciation (Notes 16 and 17)			11,069,242			10,160,783
			30,787,442			28,530,525
			₱1,001,191,448			₱993,703,494
Financial Liabilities						
Deposit liabilities	₱616,449,461	₱3,697,480	₱620,146,941	571,084,636	1,397,254	572,481,890
Bills payable	50,674,364	49,749,909	100,424,273	103,753,709	22,415,933	126,169,642
Notes and bonds payable	17,881,346	15,493,767	33,375,113	34,397,876	17,326,411	51,724,287
Other liabilities	37,003,812	4,860,916	41,864,728	39,864,381	4,934,936	44,799,317
	722,008,983	73,802,072	795,811,055	749,100,602	46,074,534	795,175,136
Nonfinancial Liabilities						
Accrued income and other taxes	829,758	-	829,758	928,064	-	928,064
Other liabilities	293,616	2,024,635	2,318,251	292,139	2,079,271	2,371,410
	1,123,374	2,024,635	3,148,009	1,220,203	2,079,271	3,299,474
	₱723,132,357	₱75,826,707	₱798,959,064	₱750,320,805	₱48,153,805	₱798,474,610

27. Service Charges, Fees and Commissions

This account is broken down as follows:

	Group			Parent Bank		
	2025	2024	2023	2025	2024	2023
Service charges	₱12,223,459	₱11,428,110	₱9,295,399	₱11,230,161	₱10,012,969	₱8,220,988
Brokerage fees	1,108,343	963,740	769,277	11,618	63,944	6,405
Commissions from bancassurance (Note 31)	1,004,907	627,708	589,520	1,004,907	627,708	589,520
Bank commissions	255,883	230,563	203,243	255,431	229,943	198,945
Others	723,570	550,898	363,372	586,537	371,516	137,814
	₱15,316,162	₱13,801,019	₱11,220,811	₱13,088,654	₱11,306,080	₱9,153,672

Others include various commission income on remittance transactions and management fees.



28. Miscellaneous Income and Expenses

Miscellaneous Income

Miscellaneous income is composed of the following:

	Group		
	2025	2024	2023
Gain on foreclosure of investment properties (Note 17)	P877,201	P1,203,292	P751,936
Foreign exchange gains (losses) - net	(647,670)	1,436,317	2,126,188
Net gain on sale of investment properties, property and equipment and other assets (Notes 16, 17 and 19)	633,055	521,341	1,026,933
Gain on acquisition of an associate (Note 15)	590,918	-	22,702
Cards rebates and migration support	456,867	995,546	826,689
Rental Income	190,515	159,384	127,739
Income from trust operations	-	316,901	311,816
Others	416,821	(139,591)	344,952
	P2,517,707	P4,493,190	P5,538,955

	Parent Bank		
	2025	2024	2023
Share in net profit (loss) of subsidiaries and associates (Note 15)	(P3,192,621)	(P633,126)	P2,837,072
Foreign exchange gains (losses) - net	(1,373,485)	64,263	1,464,603
Gain on foreclosure of investment properties (Note 17)	816,349	1,170,914	679,745
Net gain on sale of investment properties, property and equipment and other assets (Notes 16, 17 and 19)	595,111	612,000	1,110,755
Gain on acquisition of an associate (Note 15)	590,918	-	-
Cards rebates and migration support	456,867	995,546	826,689
Rental Income	199,455	207,913	180,273
Income from trust operations	-	46,432	311,816
Gain on deemed disposal of a subsidiary (Note 1)	-	373,128	-
Others	285,239	439,695	339,438
	(P1,622,167)	P3,276,765	P7,750,391

Miscellaneous Expenses

The breakdown of miscellaneous expenses follows:

	Group		
	2025	2024	2023
Information technology	P7,048,491	P5,166,269	P5,726,110
Advertising and publicity	3,982,542	4,682,038	4,882,498
Fees and commission	2,147,969	2,438,894	1,364,037
Insurance	1,422,815	1,538,005	1,518,627
Outside services	1,293,660	1,442,523	1,488,965
Card-related expenses	933,699	762,967	508,396
Communication	731,592	699,573	644,736
Litigation	535,503	319,265	303,581
Provision for impairment on investment properties and other non-financial assets, net of reversal (Note 17)	486,228	308,705	916,619
Management and professional fees	468,330	636,440	903,708
Transportation and travel	368,209	305,132	416,558
Repairs and maintenance	323,401	203,000	224,376
Stationery and supplies	271,188	375,218	424,516
Supervision and compliance costs	137,067	84,723	781,521
Others	1,105,627	1,074,298	1,453,131
	P21,256,321	P20,037,050	P21,557,379



	Parent Bank		
	2025	2024	2023
Information technology	₱5,950,036	₱4,475,524	₱5,215,041
Advertising and publicity	3,843,023	4,529,410	4,792,726
Insurance	1,147,395	1,261,362	1,264,648
Fees and commission	1,142,138	1,121,295	1,149,643
Outside services	1,081,282	1,278,998	1,083,916
Card-related expenses	933,699	762,967	508,396
Communication	579,673	521,211	446,582
Litigation	534,459	308,182	300,055
Management and professional fees	332,507	462,388	700,469
Repairs and maintenance	273,680	150,456	174,097
Stationery and supplies	185,032	322,284	368,009
Provision for impairment on investment properties and other non-financial assets (Note 17)	148,376	84,162	403,042
Transportation and travel	113,181	105,052	214,406
Supervision and compliance costs	85,221	42,754	747,560
Others	593,898	622,311	740,386
	₱16,943,600	₱16,048,356	₱18,108,976

29. Salaries and Employee Benefits

Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are as follows:

	Group		
	2025	2024	2023
Short-term benefits:			
Salaries and wages	₱8,409,940	₱7,790,723	₱7,395,773
Bonuses and fringe benefits	5,430,530	4,795,373	4,763,223
Social security costs	512,749	449,813	386,205
Other benefits	292,928	266,772	225,620
Post-employment and other long-term benefits	952,762	817,444	787,404
	₱15,598,909	₱14,120,125	₱13,558,225

	Parent Bank		
	2025	2024	2023
Short-term benefits:			
Salaries and wages	₱5,595,147	₱5,369,739	₱5,318,750
Bonuses and fringe benefits	4,362,395	3,908,999	3,850,248
Social security costs	320,597	293,541	261,460
Other benefits	237,293	191,831	171,337
Post-employment and other long-term benefits	653,589	632,677	630,577
	₱11,169,021	₱10,396,787	₱10,232,372

Post-employment Defined Benefit Plan and Defined Contribution Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains funded, tax-qualified, noncontributory pension plans covering all regular full-time employees that are being administered by appointed trustee banks, including AAMI, an associate of the Parent Bank, for the Parent Bank, UIC, CSB, and PETNET. Under these pension plans, all covered employees are entitled to cash benefits after satisfying certain age and service requirements.



The Group maintains various retirement plans, among the retirement plans are being maintained for UnionBank, former iBank employees and former Citigroup Inc.'s consumer banking business employees, hence, the Parent Bank presents pension information in its financial statements combined for the three plans. The other pension plans are for UIC, CSB, Bangko Kabayan, PETNET, UFSI, UBX and UnionDigital.

UnionBank Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 55, or age 50 with the completion of at least ten years of service. However, late retirement is subject to the approval of the Parent Bank's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly salary for each year of credited service.

Former iBank Plan

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement subject to the approval of the Parent Bank's BOD on a case-to-case basis. Normal retirement benefit is an amount equivalent to 125% of the final monthly covered compensation for every year of credited service.

UIC Plan

The normal retirement age is 60 and the compulsory retirement age is 65. Both must have a minimum of five years of credited service. Both have retirement benefit equal to one-half month's salary as of the date of retirement multiplied by the employee's year of service. Upon retirement of an employee, whether optional or compulsory, his services may be continued or extended on a case to case basis upon agreement of management and employee.

This is based on the retirement plan benefits provided in the Retirement Law (R.A. No. 7641). Under the law, unless the parties provide for broader inclusions, the term one-half (1/2) month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than (5) days of service incentive leaves.

CSB Plan

The normal retirement age is 60 or completion of 30 years of service whichever is earlier. The service of any member, however, may be extended from year-to-year beyond the normal retirement date, provided such an extension of service is with the consent of the member and the express approval of CSB. The plan also provides for an early retirement after completion of at least ten years of service. Normal retirement benefit is an amount equivalent to 100% of the final basic monthly salary multiplied by the number of years of service prior to January 1, 2008 and 150% of the final basic monthly salary for services rendered starting January 1, 2008.

PETNET Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement beyond age 60. However, early and late retirement are subject to the approval of the company. Retirement benefit is an amount equivalent to 92% of the final monthly salary for each year of continuous service.

Bangko Kabayan Plan

The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 100%, 125% or 150% of the latest basic monthly salary for each year of credited service if the years of service is 10 years but less than 15 years, 15 years but less than 20 years, and 20 years or more, respectively.



Former Citibank, N.A., PH Consumer Business PlansFund B and Fund C

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of continuous service. Normal retirement benefit is an amount equivalent to 200% of the final average covered monthly salary for each year of credited service.

The Parent Bank and Citigroup, Inc. agreed that the previous tenure of Citi employees will be continued upon joining with the Group.

UBX Plan

The normal retirement age is 60 with a minimum of five years of credited service. Normal retirement benefit is an amount equivalent to 22.5 days' plan salary for every year of credited service.

UnionDigital Plan

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at 50 with the completion of at least ten years of service. Normal retirement benefit is an amount equivalent to 150% of the final monthly salary for each year of credited service.

(b) Characteristics of the Defined Contribution Plans

The Group maintains a defined contribution plan covering all regular and permanent employees. Starting on the date of membership of an employee in the Plan, the employer shall contribute to the retirement fund 8% of the member's salary as defined every month. As this plan operates in the Philippines, it is subject to R.A. No. 7641, which requires a minimum benefit equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Former Citibank, N.A., PH Consumer Business PlanFund D

Fund D is an allocated fund established to hold contributions on behalf of and made by the employees and the corresponding earnings and losses on such contributions. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of continuous service. Normal retirement benefit is an amount equivalent to the sum of (a) 100% of the balance in the Member's Individual Account Balances (IAB) attributable to the employer's contributions as of most recent valuation prior to his retirement date adjusted for subsequent contributions and earnings and (b) 100% of the balance in the Member's IAB attributable to the employee's contributions as of most recent valuation prior to his retirement date adjusted for subsequent contributions and earnings.

UFSI Plan

The unfunded, contributory defined contribution retirement plan covers all regular full-time employees. Contribution to the plan is equal to 8% of the annual basic salary of each covered employee.



(c) Analysis of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the subsequent pages are based on the actuarial valuation reports obtained from independent actuaries in 2025 and 2024.

The amounts of post-employment defined benefit obligation (net retirement asset) recognized in the statements of financial position are determined as follows (see Notes 19 and 24):

	Group		Parent Bank	
	2025	2024	2025	2024
Present value of the obligation	₱8,229,246	₱7,927,314	₱6,834,378	₱6,715,680
Fair value of plan assets	6,430,018	6,720,485	5,316,589	5,829,757
	₱1,799,228	₱1,206,829	₱1,517,789	₱885,923

As of December 31, 2025 and 2024, the net retirement obligation of the Group amounting to ₱1.80 billion and ₱1.21 billion, respectively, is separately shown at gross amount of ₱152.20 million and ₱129.02 million, respectively, as Net retirement asset in the Other Resources (see Note 19), and as Post-employment defined benefit obligation of ₱1.95 billion and ₱1.34 billion, respectively (see Note 24).

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

	Group		
	2025	2024	2023
Balance at beginning of year	₱7,927,314	₱7,299,841	₱6,194,063
Current service cost	812,985	698,953	617,879
Interest expense	402,186	342,984	392,446
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	(97,560)	85,638	425,647
Experience adjustments	402,495	(55,809)	56,868
Changes in demographic assumptions	(2,291)	—	50
Benefits paid	(1,210,990)	(410,827)	(387,112)
Net released obligation due to employee transfers	(4,893)	(33,466)	—
Balance at end of year	₱8,229,246	₱7,927,314	₱7,299,841



	Parent Bank		
	2025	2024	2023
Balance at beginning of year	₱6,715,680	₱6,505,811	₱5,468,709
Current service cost	599,193	587,951	521,682
Interest expense	344,714	341,660	346,395
Remeasurements:			
Actuarial losses (gains) arising from			
Experience adjustments	325,592	(135,196)	(27,055)
Changes in financial assumptions	(90,073)	(85,334)	473,555
Benefits paid	(1,056,904)	(465,746)	(277,475)
Net released obligation due to employee transfers	(3,824)	(33,466)	-
Balance at end of year	₱6,834,378	₱6,715,680	₱6,505,811

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

	Group		
	2025	2024	2023
Balance at beginning of year	₱6,720,485	₱5,917,416	₱5,227,021
Interest income	356,505	318,271	344,075
Return on plan asset (excluding amounts included in net interest)	(225,568)	36,526	(46,580)
Contributions to the plan	749,310	943,094	720,135
Benefits paid	(1,170,714)	(483,018)	(327,235)
Net released obligation due to employee transfer	-	(11,804)	-
Balance at end of year	₱6,430,018	₱6,720,485	₱5,917,416

	Parent Bank		
	2025	2024	2023
Balance at beginning of year	₱5,829,757	₱5,041,225	₱4,558,600
Interest income	309,363	272,332	301,472
Return on plan asset (excluding amounts included in net interest)	(407,284)	43,096	(174,732)
Contributions to the plan	623,893	801,586	633,360
Benefits paid	(1,039,886)	(316,678)	(277,475)
Net acquired/(released) obligation due to employee transfers	746	(11,804)	-
Balance at end of year	₱5,316,589	₱5,829,757	₱5,041,225



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

	Group	
	2025	2024
Bank deposits	₱89,891	₱187,621
Quoted equity securities:		
Financial and insurance activities	3,358,571	3,009,625
Real estate activities	211,626	213,734
Transportation and storage	152,095	–
Manufacturing	116,354	39,389
Electricity, gas and water	30,775	30,116
Others	224,915	520,201
	4,094,336	3,813,065
Debt securities:		
Philippine government bonds	1,704,044	1,771,080
Corporate bonds	195,611	602,335
	1,899,655	2,373,415
Others	346,136	346,384
	₱6,430,018	₱6,720,485
	Parent Bank	
	2025	2024
Bank deposits	₱60,735	₱176,988
Quoted equity securities:		
Financial and insurance activities	2,914,114	2,474,024
Real estate activities	181,152	206,416
Transportation and storage	123,432	–
Manufacturing	116,354	37,757
Electricity, gas and water	26,661	14,652
Others	171,373	499,145
	3,533,086	3,231,994
Debt securities:		
Philippine government bonds	1,542,437	1,678,998
Corporate bonds	123,443	496,608
	1,665,880	2,175,606
Others	56,888	245,169
	₱5,316,589	₱5,829,757

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). Equity securities under the fund are primarily investments in corporations listed in the PSE, which include ₱340.54 million and ₱463.70 million investments in the shares of stocks of the Parent Bank as of December 31, 2025 and 2024, respectively, while debt securities represent investments in government and corporate bonds, which is nil as of December 31, 2025 and ₱319.26 million investment in the notes of the Parent Bank as of December 31, 2024, (see Note 31).

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The retirement fund neither provides any guarantee or surety for any obligation of the Parent Bank nor its investments in the Bank's shares of stocks covered by any restriction and liens. Bank deposits are maintained with reputable financial institutions, which include ₱29.78 million and ₱11.23 million deposits with the Parent Bank as of December 31, 2025 and 2024, respectively (see Note 31).



Actual returns on plan assets amounted to ₱130.94 million, ₱318.65 million, and ₱272.03 million in 2025, 2024 and 2023, respectively, for the Group. Actual returns on plan assets amounted to (₱39.76 million), ₱315.43 million, and ₱126.74 million in 2025, 2024 and 2023, respectively, for the Parent Bank.

The amounts recognized in the statements of income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2025	2024	2023
Current service cost	₱812,985	₱698,953	₱617,879
Net interest expense	45,681	24,713	48,371
	₱858,666	₱723,666	₱666,250

	Parent Bank		
	2025	2024	2023
Current service cost	₱599,193	₱587,951	₱521,682
Net interest expense	35,351	69,328	44,923
	₱634,544	₱657,279	₱566,605

The amounts recognized in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2025	2024	2023
Actuarial losses (gains) arising from changes in:			
Changes in financial assumption	(₱97,560)	₱85,638	₱425,647
Experience adjustments	402,495	(55,809)	56,868
Changes in demographic assumptions	(2,291)	-	50
Return on plan assets (excluding amounts included in net interest)	225,568	(36,526)	46,580
	₱528,212	(₱6,697)	₱529,145

	Parent Bank		
	2025	2024	2023
Actuarial losses (gains) arising from changes in:			
Changes in financial assumption	(₱90,073)	(₱85,334)	₱473,555
Experience adjustments	325,592	(135,196)	(27,055)
Return on plan assets (excluding amounts included in net interest)	349,126	(43,096)	174,732
	₱584,645	(₱263,626)	₱621,232

In addition to the above items, the Parent Bank also recognized its share of the other comprehensive income of subsidiaries in respect of the post-employment defined benefit plan amounting to gains (losses) of ₱41.52 million, (₱214.97 million), and ₱65.89 million in 2025, 2024 and 2023, respectively (see Note 15).

The Group and the Parent Bank expect to contribute ₱980.04 million and ₱784.63 million, respectively, in 2026.



In determining the retirement benefits, the following actuarial assumptions were used:

	Group		
	2025	2024	2023
Retirement age	60	60	60
Average remaining working life	7-23 years	6-26 years	6-26 years
Discount rate	5.89%-6.54%	5.96%-6.09%	6.01%-7.31%
Expected rate of salary increase	6.00%-7.00%	5.00%-7.00%	2.00%-7.00%
Employee turnover rate	0%-26%	0%-19%	0%-19%
	Parent Bank		
	2025	2024	2023
Retirement age	60	60	60
Average remaining working life	7 to 12 years	8 to 14 years	8 to 14 years
Discount rate	5.89%-6.34%	5.96%-6.13%	6.01%-6.11%
Expected rate of salary increase	6.00%	6.00%	6.00%-7.00%
Employee turnover rate	1%-18%	0%-18%	0%-18%

Assumptions regarding future mortality and disability are based on published statistics and mortality tables. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(d) Risk Associated with the Retirement Plan

The plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

- *Investment and Interest Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plans are mostly invested in equity securities. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

- *Longevity and Salary Risks*

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



(e) Other Information

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

- *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

Group

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2025			
Discount rate	+/-1.0%	(₱495,558)	₱585,351
Salary growth rate	+/-1.0%	646,251	(562,084)
Turn-over rate	+/-20.0%	(19,710)	(13,042)
December 31, 2024			
Discount rate	+/-1.0%	(₱571,211)	₱543,498
Salary growth rate	+/-1.0%	592,246	(626,177)
Turn-over rate	+/-20.0%	(92,112)	(185,026)

Parent Bank

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2025			
Discount rate	+/-1.0%	(₱447,710)	₱523,491
Salary growth rate	+/-1.0%	549,219	(477,925)
Turn-over rate	+/-20.0%	(27,356)	30,315
December 31, 2024			
Discount rate	+/-1.0%	(₱482,293)	₱433,834
Salary growth rate	+/-1.0%	456,482	(509,552)
Turn-over rate	+/-20.0%	(91,196)	(23,888)

The above 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 above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.



- *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Retirement 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) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, 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 assets as of December 31, 2025 and 2024 consists of equity securities and bonds, although the Group also invests in bank deposits. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a diversified portfolio of investments in corporations listed in the PSE.

There has been no change in the Group's strategies to manage its risks from previous periods.

- *Funding Arrangements and Expected Benefit Payment*

There is no minimum funding requirement in the country.

The maturity profile of undiscounted expected benefits payments from the plan follows:

Group

	2025	2024
Less than one year	₱943,706	₱1,598,062
One year to less than five years	3,177,456	2,494,331
Five years to less than ten years	5,245,267	4,681,319
Ten years to less than 15 years	6,323,894	5,844,681
15 years to less than 20 years	7,038,815	7,358,118
20 years and above	11,903,748	14,645,098
	₱34,632,886	₱36,621,609

Parent Bank

	2025	2024
Less than one year	₱851,614	₱1,370,516
One year to less than five years	2,849,818	2,296,031
Five years to less than ten years	4,499,398	4,081,848
Ten years to less than 15 years	5,350,605	4,619,173
15 years to less than 20 years	5,767,239	5,417,069
20 years and above	9,872,531	9,454,176
	₱29,191,205	₱27,238,813

The weighted average duration of the defined benefit obligation is 16 years in 2025 and 17 years in 2024.



Other Long-term Employment benefits

Other long term employment benefits include convertible sick leave benefits. Sick leave is computed and credited on a pro-rata basis and accumulated up to a maximum of certain working days. Any excess sick leave beyond the limit shall be convertible to cash on January 31st of the following year. All earned sick leave is convertible to cash and for inclusion to the employee's separation pay upon resignation. Accordingly, this is considered as other long term employee benefits, calculated using an actuarial valuation. Key actuarial assumptions include expected salary increase rate of 6.00% per annum as of December 31, 2025 and 2024 and discount rate of 6.19% and 6.00% as of December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, accrued sick leave obligation amounted to ₱884.93 million and ₱755.18 million, respectively.

30. Income Taxes

Current and Deferred Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2025, 2024 and 2023 are as follows:

	Group		
	2025	2024	2023
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax	₱3,493,730	₱3,253,404	₱3,165,140
Regular corporate income tax (RCIT)	708,935	1,010,096	886,028
MCIT	852,192	2,351	538,492
	5,054,857	4,265,851	4,589,660
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(858,205)	(612,364)	(1,945,435)
	₱4,196,652	₱3,653,487	₱2,644,225
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	(₱225,151)	₱1,674	(₱132,286)
	Parent Bank		
	2025	2024	2023
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax	₱3,058,714	₱2,675,412	₱2,669,179
MCIT	845,847	-	527,838
RCIT	34,289	730,506	26,334
	3,938,850	3,405,918	3,223,351
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(329,878)	282,533	(1,698,002)
	₱3,608,972	₱3,688,451	₱1,525,349
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	(₱239,260)	₱75,845	(₱155,309)



The reconciliation of the statutory income tax rate and the effective income tax rate follows:

	Group		
	2025	2024	2023
Statutory income tax rate	25.00%	25.00%	25.00%
Adjustment for income subjected to lower income tax rates	(6.13)	(5.15)	(2.02)
Tax effects of:			
FCDU income before tax	(2.91)	(1.42)	(2.02)
Non-taxable income	(2.73)	(0.71)	(8.48)
Non-deductible expenses	11.89	5.11	10.98
Others	4.44	0.47	(1.14)
Effective income tax rate	29.56%	23.30%	22.32%

	Parent Bank		
	2025	2024	2023
Statutory income tax rate	25.00%	25.00%	25.00%
Adjustment for income subjected to lower income tax rates	(5.50)	(4.18)	(5.36)
Tax effects of:			
FCDU income before tax	(3.01)	(1.40)	(2.32)
Non-taxable income	(2.50)	(0.25)	(6.87)
Non-deductible expenses	11.11	4.11	6.49
Others	1.24	(0.12)	(2.22)
Effective income tax rate	26.34%	23.17%	14.73%

The components of the net deferred tax assets presented under Other resources (see Note 19) as of December 31, 2025 and 2024 follow:

	Group	
	2025	2024
Deferred tax assets:		
Allowance for impairment and credit losses	₱7,991,957	₱5,955,867
Accrued other expenses	1,653,952	1,846,241
Excess MCIT	846,501	1,358
Net operating loss carry over (NOLCO)	503,775	1,588,979
Deferred service fees	478,194	517,442
Investment properties	226,556	66,903
Unrealized foreign exchange loss	9,380	526,124
Others*	635,563	773,977
	12,345,878	11,276,891
Deferred tax liabilities:		
Unrealized foreign exchange gain	268,251	47,903
Capitalized interest	18,304	21,050
Unrealized fair value gain	-	85,369
Others**	517,420	641,333
	803,975	795,655
Net deferred tax assets	₱11,541,903	₱10,481,236

*Others comprise of deferred tax assets on post-employment benefit and non-current assets held for sale.

**Others comprise of deferred tax liabilities on deferred acquisition costs, debt issue costs, and lease liabilities.

As of December 31, 2025, the Group did not recognize deferred tax assets amounting to ₱1.14 billion on UnionDigital's NOLCO, as management believes that it is not probable that the related benefits will be realized in the future. UnionDigital's NOLCO incurred in 2025 and 2024 amounting to ₱2.03 billion and ₱3.98 billion can be carried forward until 2028 and 2027, respectively.



	Parent Bank	
	2025	2024
Deferred tax assets:		
Allowance for impairment and credit losses	₱5,386,882	₱4,464,471
Accrued other expenses	1,473,688	1,600,632
Excess MCIT	845,847	-
Investment properties	156,886	21,014
NOLCO	129,106	601,424
Unrealized foreign exchange loss	8,832	525,438
Others*	588,002	779,984
	8,589,243	7,992,963
Deferred tax liabilities:		
Unrealized foreign exchange gain	268,249	47,902
Capitalized interest	18,304	21,050
Others**	381,607	558,878
	668,160	627,830
Net deferred tax assets	₱7,921,083	₱7,365,133

*Others comprise of deferred tax assets on post-employment benefit and non-current assets held for sale.

**Others comprise of deferred tax liabilities on deferred acquisition costs, debt issue costs, and lease liabilities.

The Parent Bank's NOLCO follows:

Year incurred	Amount	Expired	Applied	Balances	Availment Period
2020	₱2,211,455	₱-	₱2,211,455	₱-	2021-2025*
2021	155,461	-	155,461	-	2022-2026*
2023	2,517,174	-	2,000,749	516,425	2024-2026
	₱4,884,090	₱-	₱4,367,665	₱516,425	

*The NOLCO can be carried over as a deduction from gross income for the next five consecutive taxable years from the year it was incurred pursuant to Revenue Regulations No. 25-2020 (RR 25-2021), implementing Section 4(bbbb) of Republic Act No. 11494 or the Bayanihan to Recover as One Act.

The Parent Bank's MCIT follows:

Year incurred	Amount	Expired	Applied	Balances	Availment Period
2021	₱152,515	₱-	₱152,515	₱-	2022-2024
2023	527,838	-	527,838	-	2024-2026
2025	845,847	-	-	845,847	2024-2026
	₱1,526,200	₱-	₱680,353	₱845,847	

The Parent Bank's MCIT can be applied against regular corporate income tax liability for the next three consecutive years after the MCIT was incurred.

Relevant Tax Regulations

The following are the relevant tax regulations affecting the Group:

Income Tax

- (a) MCIT computed at 1% of gross income (net of allowable deductions as defined under tax regulations) from July 1, 2020 to June 30, 2023 and at 2% from July 1, 2023 onwards, or RCIT of 25%, whichever is higher;
- (b) Uniform 20% final tax on interest income from any currency deposit, regardless of tenor beginning July 1, 2025;
- (c) FCDU transactions with non-residents are tax-exempt, while interest income on foreign currency loans from residents other than depository banks under the expanded system is subject to 10% income tax; and
- (d) Trading gains from long-term bonds issued on or after July 1, 2025 are subject to income tax



Gross Receipts Tax

Banks are subject to gross receipts tax under Sec. 121 of the National Internal Revenue Code as amended.

Documentary Stamp Tax

Documentary stamp taxes (DST) (at varying rates) are 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 of any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;
- (c) Acceptance of bills of exchange and letters of credit;
- (d) Bills of lading or receipt; and,
- (e) The following instruments, documents and papers shall be exempt from DST:
 - Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
 - Loan agreements or promissory notes, the aggregate of which does not exceed ₱250,000 or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
 - Sale, barter or exchange of shares of stock listed and traded through the local stock exchange (as amended by RA No. 9648);
 - Fixed income and other securities traded in the secondary market or through an exchange;
 - Derivatives including repurchase agreements and reverse repurchase agreements;
 - Bank deposit accounts without a fixed term or maturity; and,
 - Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

Itemized Deduction

The Parent Bank opted to claim itemized deductions in 2025, 2024 and 2023.



31. Related Party Transactions

The Group's and Parent Bank's related parties include subsidiaries, stockholders, key management personnel and others as described below.

The Parent Bank's transactions with related parties, as defined in the Bank's Policy on Related Party Transactions, are reviewed and approved by the Bank's RPT Management Review Committee (for non-material transactions), endorsed by the RPT Board Committee, and ultimately approved or confirmed by the BOD. The terms and prices are benchmarked against market prices, non-RPT transactions and on a cost-plus basis as practiced by the market if market prices are not available. In other instances, valuations are made by appraisers and third party consultants in determining prices.

The summary of the Group's significant transactions with its related parties as of and for the years ended December 31, 2025 and 2024 are as follows:

Related Party Category	2025		2024		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Applicable to the Parent Bank					
Subsidiaries					
Lease of properties:					
Lease income	₱36,890	₱-	₱65,694	₱-	Lease renewed every 5 years with 5% escalation rate.
Refundable deposits	16,818	17,812	(7,340)	994	
Management services	77,010	-	148,768	-	Project management fee, management services, commission and service charges paid to/by subsidiaries
Deposit liabilities:					
Outstanding balance	-	1,764,407	-	2,650,643	With interest rate based on average daily bank deposit rate.
Net movements	(886,236)	-	851,395	-	
Interest expense on deposits	217,771	-	53,182	-	
Interbank borrowing					
Availment	-	-	4,000,000	-	Short-term borrowing with annual fixed rate ranging from 6.47% to 6.50% in 2024. No outstanding balances as of 2025 and 2024.
Interest expense	-	-	2,161	-	
Interbank lending					
Availment	-	-	700,000	-	Short-term lending with annual fixed rate of 6.53% and 8.00% in 2024. No outstanding balance as of 2025 and 2024.
Interest income	-	-	839	-	
Advances:					
Outstanding balance	-	9,310	-	96,027	Various expenses advanced by the Bank
Net movements	(86,717)	-	(33,411)	-	
Interest income	7	-	1,836	-	Various expenses and service fees
Other liabilities	-	17,406	-	160,973	
Applicable to the Group and the Parent Bank					
Stockholders and related parties under common ownership					
Deposit liabilities:					
Outstanding balance	-	1,441,841	-	1,951,260	With interest rate based on average daily bank deposit rate
Net movements	(509,419)	-	(523,464)	-	
Interest expense on deposits	3,194	-	20,001	-	
Bills payable:					
Outstanding balance	-	-	-	13,979	Long term liability with annual fixed rate of 4%
Net movements	(13,979)	-	22	-	
Interest expense	522	-	584	-	

(Forward)



Related Party Category	2025		2024		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Income from bancassurance business:					
Commission income	₱1,004,907	₱-	₱627,708	₱-	Income recognized on sale of insurance policies in accordance with the bancassurance agreement Unearned income from Exclusive Access Fees arising from the bancassurance agreement
Unearned income	-	295,129	-	442,693	
Key Management Personnel Directors, officers and other related interests:	4,450,569	-	4,574,205	-	Employee benefits related to key management personnel
Loans receivable					Secured borrowings with annual interest of 6.88% in 2025 and 8.0% in 2024 and employee fringe benefit loans with annual fixed interest rate from 6.0% to 7.0% in 2025 and 2024
Outstanding balance	-	811,242	-	747,727	
Net movements	63,515	-	(82,430)	-	Fringe benefits related to employee cars and laptop lease
Accounts receivable	146,707	146,707	151,260	151,260	

Lease of Properties

The Parent Bank leases certain properties to UIC, CSB, UBX PH, UnionDigital and UFSI at fixed monthly rental payments with 5% annual escalation rate.

Management Services

The Parent Bank has entered into service agreements with CSB, UIC, PETNET, UBX, UnionDigital and UFSI to perform various services including corporate accounting, human resource, legal, corporate secretarial, operations support, IT-related and data science.

Deposit Liabilities and Interest Expense

The deposit accounts of subsidiaries and stockholders with the Parent Bank generally earn interest based on daily bank deposit rates.

Advances

The Parent Bank also has advances to UnionDigital, UFSI and UBX PH as of December 31, 2025 and 2024. These are generally settled in cash on a monthly basis.

Bills Payable and Interest Expense

In 2020, CSB availed of a loan with Aboitiz Foundation, Inc., amounting to ₱14.00 million which is payable in five years and bears an annual interest rate of 4.0%. This borrowing had an outstanding balance of ₱13.98 million (net of unamortized debt issue costs) as of December 31, 2024.

Bancassurance Agreement

On January 27, 2017, the Parent Bank and its subsidiary, CSB, entered into a bancassurance partnership (the Distribution Agreement) with Insular Life Assurance Company, Ltd. (Insular Life). Under the Agreement, Insular Life paid the Parent Bank an amount representing Exclusive Access Fee (EAF) with a term of 15 years. Under the Distribution Agreement, in the event that the cumulative annualized premium earned (APE) sold during the first five-year period is less than the agreed minimum amount, the Parent Bank shall refund the proportion of EAF that equals the proportion by which the cumulative APE is less the minimum amount. Subsequently in 2023, the Parent Bank and Insular Life signed an addendum to the Distribution Agreement to modify certain provisions in the original contract. The Addendum removed the provision on EAF



refund. Under the new terms of the agreement, the unearned EAF as of January 1, 2023 will be earned evenly each year from 2023 to 2027, provided that the Parent Bank shall not be a defaulting party in a material breach during the EAF Credit Period.

Unearned income arising from this transaction is presented as Unearned Income - bancassurance under Other liabilities account in the statements of financial position (see Note 24). Amortization of EAF recognized for 2025 and 2024 is included in Commission from bancassurance under Service charges, fees and commissions account in the statements of income.

Under the distribution agreement, Insular Life will have exclusive access to the branch network of the Parent Bank and CSB. Additionally, the Parent Bank's sales force, composed of relationship managers and financial advisors, shall be trained and licensed to sell life insurance products. Under the same Agreement, the Parent Bank shall earn commissions on all insurance policies sold by the Parent Bank. Commissions earned in 2025 and 2024 are presented as part of Commissions from bancassurance under Service charges, fees and commissions account in the statements of income (see Note 27).

Key Management Personnel Compensation

The compensation of key management personnel for the Group and Parent Bank follows:

	Group		
	2025	2024	2023
Short-term benefits	₱4,122,906	₱4,245,206	₱3,948,441
Post-employment benefits	207,542	204,996	178,917
Other long-term benefits	120,121	124,003	135,204
	₱4,450,569	₱4,574,205	₱4,262,562

	Parent Bank		
	2025	2024	2023
Short-term benefits	₱3,140,421	₱3,287,581	₱3,074,645
Post-employment benefits	173,698	165,133	161,847
Other long-term benefits	111,437	114,887	128,555
	₱3,425,556	₱3,567,601	₱3,365,047

The Group incurred directors' fees amounting to ₱226.54 million, ₱192.81 million, and ₱159.59 million in 2025, 2024 and 2023, respectively. The Parent Bank incurred fees amounting to ₱170.91 million, ₱105.41 million, and ₱100.69 million in 2025, 2024 and 2023, respectively.

Loans and Other Transactions

In the ordinary course of business, the Group has loans, deposits and other transactions with its related parties and with certain DOSRI. Under the Group's existing policies, these transactions are made substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Group. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Group, whichever is lower.



The following additional information is presented relative to DOSRI loans:

	Group		Parent Bank	
	2025	2024	2025	2024
Total DOSRI loans	₱811,242	₱747,727	₱660,819	₱606,488
Unsecured DOSRI loans	350,628	354,656	223,442	257,988
% of DOSRI loans to total loan portfolio	0.15%	0.14%	0.16%	0.15%
% of unsecured DOSRI loans to total DOSRI loans	–%	0.08%	–%	0.10%
% of unsecured DOSRI loans inclusive of fringe benefits to total DOSRI loans	43.22%	47.43%	33.81%	42.54%
% of past due DOSRI loans to total DOSRI loans	–%	0.08%	–%	0.10%
% of non-accruing DOSRI accounts to total DOSRI loans	–%	–%	–%	–%

The total unsecured DOSRI loans above include loans extended to employees treated as fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB.

On January 31, 2007, BSP issued Circular No. 560 which provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the Parent Bank’s subsidiaries and affiliates shall not exceed 10% of bank’s net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank.

Transactions with the Retirement Plan

The retirement fund of the Group covered under defined benefit post-employment plan maintained for qualified employees is administered by the Retirement Committee. The members of the Retirement Committee are Senior Executives and officers of the Parent Bank as approved by Corporate Governance Committee. Through its Retirement Committee, it has appointed AAMI as one of its trustees for the retirement fund which is covered by trust agreements.

The composition of the retirement plan assets in the actuarial valuation reports of the Parent Bank and its subsidiaries as of December 31, 2025 and 2024 are disclosed in Note 29. As of December 31, 2025 and 2024, total assets of the retirement plan managed by AAMI (formerly, by UBIMTC) as contained in the actuarial valuation reports amounted to ₱6.43 billion and ₱6.72 billion, respectively.

As of December 31, 2025 and 2024, the carrying value of the fund is equivalent to its fair value.



The Parent Bank and its subsidiaries' retirement plans have transactions directly and indirectly with the Parent Bank as of December 31, 2025 and 2024 as follows:

	Group			
	2025		2024	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	(₱123,158)	₱340,541	(₱14,699)	₱463,699
Investments in Parent Bank notes payable:				
Outstanding balance	-	-	-	319,260
Net movements	(319,260)	-	7,399	-
Accrued interest income	-	-	-	2,022
Deposit liabilities:				
Outstanding balance	-	29,778	-	11,230
Net movements	18,548	-	(230,541)	-
Interest income on deposits	10,025	-	14,016	-
Dividend income	8,780	-	8,780	-

	Parent Bank			
	2025		2024	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	(₱112,399)	₱337,195	(₱12,258)	₱449,594
Investments in Parent Bank notes payable:				
Outstanding balance	-	-	-	277,537
Net movements	(277,537)	-	6,454	-
Accrued interest income	-	-	-	1,752
Deposit liabilities:				
Outstanding balance	-	22,103	-	10,999
Net movements	11,104	-	(224,177)	-
Interest income on deposits	10,445	-	14,028	-
Dividend income	8,497	-	8,497	-

The investment in Parent Bank shares are primarily held for re-sale and the Group's retirement fund does not intend to exercise its voting rights over those shares. The terms of the investment in notes payable are discussed in Note 23.

Group Health Insurance from a Related Party

The Parent Bank entered into a contract with Insular HealthCare Inc., a related party, for its group health insurance. The group health insurance package totaling ₱367.14 million, providing coverage from October 2024 to November 2025. Subsequently, the Parent Bank entered into a contract with Generali Life Assurance Philippines, Inc. (GLAPI), a related party, for its group health insurance amounted to ₱366.66 million, providing coverage from December 2025 to November 2026.

Receivable from Kingswood Project

UIC acts as the project and fund manager of Kingswood Project. As fund manager, UIC is responsible for the treasury and money management as well as arranging the necessary facilities and accounting for the development of the project. UIC also receives a certain percentage of the sales price related to Kingswood Project as sales commission and to compensate for the marketing expenses incurred. As of December 31, 2025 and 2024, the receivable of UIC from Kingswood Project amounted to ₱15.23 million and ₱35.20 million, respectively.



32. Earnings Per Share

In 2025, 2024 and 2023, the Group and the Parent Bank have no outstanding potentially dilutive securities, hence, basic earnings per share are equal to diluted earnings per share.

As a result of the stock dividends declared by the Parent Bank on April 28, 2023 to stockholders of record as of December 22, 2023 and issued on January 4, 2024 (see Notes 25 and 36), the weighted average number of outstanding common shares have been adjusted retrospectively for the effect of the stock dividends on January 1, 2022, representing the beginning of the earliest prior period presented, as required under PFRS.

The basic and diluted earnings per share were computed as follows:

	Group		
	2025	2024	2023
Net profit attributable to Parent Bank's stockholders	₱9,940,961	₱11,929,971	₱9,072,217
Divided by:			
Weighted average number of outstanding common shares	3,316,406	3,180,090	2,332,962
Adjustment related to stock dividends	-	-	635,519
Weighted average number of outstanding common shares, after adjustment for stock dividends	3,316,406	3,180,090	2,968,481
Basic and diluted earnings per share	₱3.00	₱3.75	₱3.06
	Parent Bank		
	2025	2024	2023
Net profit	₱10,091,632	₱12,232,431	₱8,828,457
Divided by:			
Weighted average number of outstanding common shares	3,316,406	3,180,090	2,332,962
Adjustment related to stock dividend	-	-	635,519
Weighted average number of outstanding common shares, after adjustment for stock dividends	3,316,406	3,180,090	2,968,481
Basic and diluted earnings per share	₱3.04	₱3.85	₱2.97

As of December 31, 2025, 2024 and 2023, there were no outstanding dilutive potential common shares.



33. Commitments and Contingent Liabilities

Leases

Group as Lessee

The Group leases various branch premises for an average period of seven years. The lease contracts are cancellable upon mutual agreement of the parties or renewable at the Parent Bank's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 5% to 10%. Some leases include a clause to enable adjustment of the rental charge on an annual basis based on prevailing market rates. As of December 31, 2025 and 2024, the Parent Bank has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2025 and 2024:

	Group		Parent Bank	
	2025	2024	2025	2024
1 year or less	₱505,493	₱444,059	₱473,400	₱415,758
more than 1 year to 2 years	535,172	438,411	403,785	326,516
more than 2 years to 3 years	387,980	351,838	263,848	267,310
more than 3 years to 4 years	264,371	244,261	152,175	165,842
more than 5 years	84,843	83,070	48,180	43,838

The following are the amounts recognized in profit or loss for the years ended December 31, 2025 and 2024:

	Group		Parent Bank	
	2025	2024	2025	2024
Amortization expense of ROU assets (Note 16)	₱665,267	₱625,603	₱491,174	₱489,730
Interest expense on lease liabilities (Note 24)	104,116	68,449	79,625	48,153
Expenses relating to short term - leases	339,957	293,175	240,432	220,433
Total amount recognized in profit or loss	₱1,109,340	₱987,227	₱811,231	₱758,316

Group as Lessor

The Group has entered into commercial property leases on the Group's surplus offices. These non-cancellable leases have remaining non-cancellable lease terms of one to four years.

Total rent income earned included under Miscellaneous income – Others account in the statements of income (see Note 28) by the Group and the Parent Bank for the years ended December 31, 2025, 2024 and 2023 are as follows:

	2025	2024	2023
Group	₱190,515	₱159,384	₱127,739
Parent Bank	199,455	207,913	180,273



The estimated minimum future annual rentals receivable under non-cancellable operating leases follows:

	Group	
	2025	2024
Within one year	₱210,494	₱146,930
Beyond one year but within five years	601,158	334,669
	₱811,652	₱481,599

	Parent Bank	
	2025	2024
Within one year	₱201,344	₱131,807
Beyond one year but within five years	577,374	303,539
	₱778,718	₱435,346

Others

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, which are not reflected in the accompanying financial statements. The Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2025, no additional material losses or liabilities are required to be recognized in the accompanying financial statements as a result of the above commitments and transactions.

There are several suits, assessments or notices and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.

34. Notes to the Statements of Cash Flows

Presented below is the supplemental information on the Group's and the Parent Bank's liabilities arising from financing activities:

	Group			Total
	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	
Balances at January 1, 2025	₱162,256,379	₱57,565,582	₱1,625,925	₱221,447,886
Cash flows from financing activities:				
Additions	613,139,628	21,350,886	-	634,490,514
Repayment of borrowings	(644,401,657)	(40,037,270)	(739,622)	(685,178,549)
Non-cash financing activities:				
Effects of foreign exchange rate changes	861,056	651,826	-	1,512,882
New lease arrangements	-	-	773,119	773,119
Terminated lease arrangements	-	-	(50,910)	(50,910)
Amortization of debt issue costs and accretion of interest	154,500	131,140	104,116	389,756
Balances at December 31, 2025	₱132,009,906	₱39,662,164	₱1,712,628	₱173,384,698

**additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities*



	Group			Total
	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	
Balances at January 1, 2024	₱155,287,929	₱50,493,627	₱1,551,143	₱207,332,699
Cash flows from financing activities:				
Additions	979,986,263	11,482,520	–	991,468,783
Repayment of borrowings	(975,385,462)	(5,658,904)	(724,806)	(981,769,172)
Non-cash financing activities:				
Effects of foreign exchange rate changes	2,367,649	1,124,866	–	3,492,515
New lease arrangements	–	–	731,139	731,139
Amortization of debt issue costs and accretion of interest	–	123,473	68,449	191,922
Balances at December 31, 2024	₱162,256,379	₱57,565,582	₱1,625,925	₱221,447,886

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

	Parent Bank			Total
	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	
Balances at January 1, 2025	₱126,169,642	₱51,724,287	₱1,238,395	₱179,132,324
Cash flows from financing activities:				
Additions	599,129,628	15,848,288	–	614,977,916
Repayment of borrowings	(625,790,990)	(34,744,953)	(564,150)	(661,100,093)
Non-cash financing activities:				
Effects of foreign exchange rate changes	861,056	425,279	–	1,286,335
New lease arrangements	–	–	589,276	589,276
Terminated lease arrangements	–	–	(50,767)	(50,767)
Amortization of debt issue costs and accretion of interest	54,937	122,212	79,625	256,774
Balances at December 31, 2025	₱100,424,273	₱33,375,113	₱1,292,379	₱135,091,765

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

	Parent Bank			Total
	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	
Balances at January 1, 2024	₱120,359,136	₱50,493,627	₱1,180,973	₱172,033,736
Cash flows from financing activities:				
Additions	957,473,570	–	–	957,473,570
Repayment of borrowings	(954,030,713)	–	(552,358)	(954,583,071)
Non-cash financing activities:				
Effects of foreign exchange rate changes	2,367,649	1,111,521	–	3,479,170
New lease arrangements	–	–	561,627	561,627
Amortization of debt issue costs and accretion of interest	–	119,139	48,153	167,292
Balances at December 31, 2024	₱126,169,642	₱51,724,287	₱1,238,395	₱179,132,324

*additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities

Non-cash investing activities of the Group for the years ended December 31, 2025 and 2024 include (1) additions to investment properties in settlement of loans and receivables amounting to ₱577.13 million and ₱807.75 million, respectively, (2) disposals of properties with carrying values of ₱857.80 million and ₱713.01 million, respectively, through sales contracts receivable, and (3) additions to right of use assets amounting to ₱748.31 million and ₱714.28 million, respectively, for the Group and amounting to ₱589.28 million and ₱561.63 million, respectively, for the Parent Bank.



35. Events After the End of the Reporting PeriodCapital Infusion to Union Digital

On January 30, 2026, the Parent Bank infused capital amounting to ₱400.00 million out of the approved amount of ₱1.20 billion to UnionDigital to support its ongoing business operations.

Listing of Shares under the Employee Stock Plan

On February 5, 2026, the Bank has listed 697,339 common shares under the last tranche of the Employee Stock Plan which was issued in 2023 (see Note 25).

Dividend Declaration

On February 27, 2026, the Parent Bank's BOD approved the declaration of regular cash dividends at ₱1.00 per common share for a total of ₱3.32 billion, in favor of all stockholders of the Bank, payable from the unrestricted retained earnings of the Bank as of December 31, 2025. The record date for stockholders entitled to the cash dividend is March 16, 2026, and payment is set on March 23, 2026.



36. Supplementary Information Required Under Revenue Regulations 15-2010

Presented below is the supplementary information required by the Bureau of Internal Revenue (BIR) under RR 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

Gross Receipts Tax

In lieu of the value-added tax (VAT), the Parent Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Section 121 of the Tax Code.

The Parent Bank reported total GRT amounting to ₱3.26 billion in 2025 shown under Taxes and Licenses account. Total GRT payable as of December 31, 2025 amounted to ₱0.80 billion and is included in Accrued taxes and other expenses under Other liabilities account in the 2025 statement of financial position.

Documentary Stamp Tax

The Bank is enrolled under the Electronic DST System. In general, the Parent Bank's DST transactions arise from the execution of debt instruments, security documents, and bills of exchange. For the year ended December 31, 2025, DST affixed amounted to ₱1.59 billion.

Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2025 are shown below (amounts in thousands):

Final	₱1,577,875
Expanded	470,558
Compensation and benefits	1,554,415
	₱3,602,848

Taxes and Licenses

The details of taxes and licenses in 2025 of the Parent Bank are as follows (amounts in thousands):

GRT	₱3,261,033
DST	416,736
Real property tax	51,393
Fringe benefit tax (FBT)	66,384
Local and business permits	76,756
Miscellaneous	8,458
Less:	
FBT charged to employee benefits	(66,384)
	₱3,814,376

Excise Taxes

The Parent Bank does not have excise taxes accrued since it did not have any transactions subject to excise tax.

Other Required Tax Information

The Parent Bank has not paid or accrued any excise taxes or customs' duties and tariff fees as it had no importation for the year ended December 31, 2025.

The Parent Bank has no pending deficiency tax assessment with the BIR, the courts or other regulatory bodies outside of the BIR as at December 31, 2025.



37. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Presented below is the supplementary information required by the BSP under Section 174 of the MORB.

Basic quantitative indicators of financial performance

Group	2025	2024	2023
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}^*}$	5.0%	6.4%	5.6%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}^*}$	0.9%	1.1%	0.8%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}^*}$	6.4%	6.0%	5.5%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	53.1%	47.3%	43.5%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Capital Funds}}$	4.7:1	4.8:1	5.5:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Capital Funds}}$	5.7:1	5.8:1	6.5:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	1.7:1	1.6:1	1.4:1
<i>*Average amount is calculated based on current year-end and previous year-end balances</i>			
Parent Bank	2025	2024	2023
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}^*}$	5.1%	6.6%	5.5%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}^*}$	1.0%	1.2%	0.9%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}^*}$	6.2%	5.6%	4.8%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	52.2%	46.1%	40.0%



Debt-to-equity ratio:			
Liabilities	4.0:1	4.1:1	4.7:1
Capital Funds			
Asset-to-equity ratio:			
Asset	5.0:1	5.1:1	5.7:1
Capital Funds			
Interest rate coverage ratio:			
Earnings before interests and taxes	2.2:1	2.0:1	1.6:1
Interest expense			

*Average amount is calculated based on current year-end and previous year-end balances

Capital instruments issued

The Parent Bank's capital instruments consist of the following:

Capital stock

As of December 31, 2025 and 2024, the Parent Bank has outstanding capital stock shown below (peso amounts in thousands):

	Shares		Amount	
	2025	2024	2025	2024
Common – ₱10 par value				
Authorized	5,030,785,238	5,030,785,238	₱50,307,852	₱50,307,852
Issued	3,316,405,584	3,316,405,584	33,164,056	33,164,056
Treasury stock	–	–	–	–
Issued and outstanding	3,316,405,584	3,316,405,584	33,164,056	33,164,056
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱10,000,000
Issued and outstanding	–	–	–	–

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date. The Notes were early redeemed on its first call option date last May 24, 2025.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.



The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting “Tier 2” capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting “Tier 1” capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

Distribution of Stock Dividends

As of December 31, 2023, the Parent Bank has stock dividend distributable amounting to ₱6.36 billion, representing the 27% stock dividends approved by the Bank's BOD and stockholders on February 24, 2023 and April 28, 2023, respectively. Subsequently, on January 4, 2024, the Parent Bank issued the related 635.5 million common shares at par value of ₱10 per share.

Concentration of credit exposures

An analysis of concentrations of credit risk for loans and other receivables and investment securities (grossed up for any allowance for credit losses and unearned discounts) of the Group and the Parent Bank by industry and by geographic location as of December 31, 2025 and 2024 is shown below (amounts in thousands):

	Group			
	2025			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱29,155,067	5.18	₱425,581,109	₱454,736,176
Other consumption	280,412,166	49.78	-	280,412,166
Real estate activities	86,904,570	15.43	11,039,587	97,944,157
Electricity, gas steam and air conditioning supply	21,994,580	3.90	22,359,209	44,353,789
Wholesale and retail trade, repair of motor vehicles	28,557,653	5.07	-	28,557,653
Arts, entertainment and recreation	28,165,503	5.00	-	28,165,503
Information and communication	26,371,573	4.68	-	26,371,573
Transportation and storage	15,009,447	2.66	2,505,376	17,514,823
Manufacturing	16,065,060	2.85	-	16,065,060
Construction	9,254,151	1.64	-	9,254,151
Agriculture, forestry and fishing	3,598,678	0.64	-	3,598,678
Activities of households as employers and undifferentiated goods and services	1,934,450	0.34	-	1,934,450
Other service activities	1,767,495	0.31	-	1,767,495
Accommodation and food service activities	1,510,390	0.27	-	1,510,390
Professional, scientific and technical activities	509,058	0.09	-	509,058
Others	12,039,390	2.14	8,655,036	20,694,426
	₱563,249,231	100.0	₱470,140,317	₱1,033,389,548
<i>Concentration by location</i>				
Philippines	₱563,249,231	100.0	₱380,003,524	₱943,252,755
United States	-	-	45,376,466	45,376,466
Others - Asia	-	-	30,137,955	30,137,955
North America	-	-	7,693,163	7,693,163
South America	-	-	6,091,134	6,091,134
Europe	-	-	838,075	838,075
	₱563,249,231	100.0	₱470,140,317	₱1,033,389,548



	Group			
	2024			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱36,287,795	6.66	₱437,848,516	₱474,136,311
Other consumption	236,274,329	43.38	–	236,274,329
Real estate activities	93,720,155	17.21	13,981,886	107,702,041
Electricity, gas steam and air conditioning supply	14,364,514	2.64	25,476,487	39,841,001
Wholesale and retail trade, repair of motor vehicles	31,653,180	5.81	–	31,653,180
Arts, entertainment and recreation	22,784,818	4.18	–	22,784,818
Information and communication	28,378,273	5.21	–	28,378,273
Transportation and storage	15,367,065	2.82	2,486,098	17,853,163
Manufacturing	17,353,646	3.19	–	17,353,646
Construction	7,766,191	1.43	–	7,766,191
Agriculture, forestry and fishing	2,629,485	0.48	–	2,629,485
Activities of households as employers and undifferentiated goods and services	2,461,152	0.45	–	2,461,152
Other service activities	8,711,874	1.60	–	8,711,874
Accommodation and food service activities	1,391,169	0.26	–	1,391,169
Professional, scientific and technical activities	470,575	0.09	–	470,575
Others	24,993,053	4.59	8,537,880	33,530,933
	₱544,607,274	100.0	₱488,330,867	₱1,032,938,141
<i>Concentration by location</i>				
Philippines	₱544,607,274	100.0	₱427,730,677	₱972,337,951
Others – Asia	–	–	28,363,556	28,363,556
United States	–	–	15,717,181	15,717,181
North America	–	–	7,661,426	7,661,426
South America	–	–	6,095,184	6,095,184
	₱544,607,274	100.0	₱485,568,024	₱1,030,175,298

	Parent Bank			
	2025			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱28,842,966	6.67	₱365,486,700	₱394,329,666
Other consumption	154,527,291	35.73	–	154,527,291
Real estate activities	85,882,244	19.86	11,039,587	96,921,831
Electricity, gas steam and air conditioning supply	21,993,971	5.09	22,359,209	44,353,180
Arts, entertainment and recreation	28,145,229	6.51	–	28,145,229
Wholesale and retail trade, repair of motor vehicles	27,598,935	6.38	–	27,598,935
Information and communication	26,360,112	6.09	–	26,360,112
Transportation and storage	14,863,690	3.44	2,505,376	17,369,066
Manufacturing	15,756,095	3.64	–	15,756,095
Construction	9,032,424	2.09	–	9,032,424
Agriculture, forestry and fishing	2,556,893	0.59	–	2,556,893
Activities of households as employers and undifferentiated goods and services	1,933,678	0.45	–	1,933,678
Other service activities	1,476,162	0.34	–	1,476,162
Accommodation and food service activities	1,229,950	0.28	–	1,229,950
Professional, scientific and technical activities	499,619	0.12	–	499,619
Others	11,804,945	2.73	8,655,036	20,459,981
	₱432,504,204	100.0	₱410,045,908	₱842,550,112
<i>Concentration by location</i>				
Philippines	₱432,504,204	100.0	₱319,909,115	₱752,413,319
United States	–	–	45,376,466	45,376,466
Others - Asia	–	–	30,137,955	30,137,955
North America	–	–	7,693,163	7,693,163
South America	–	–	6,091,134	6,091,134
Europe	–	–	838,075	838,075
	₱432,504,204	100.0	₱410,045,908	₱842,550,112



	Parent Bank			
	2024			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Financial and insurance activities	₱36,281,742	8.65	₱387,491,606	₱423,773,348
Other consumption	129,874,819	30.95	–	129,874,819
Real estate activities	93,053,635	22.17	13,981,886	107,035,521
Electricity, gas steam and air conditioning supply	14,364,300	3.42	25,476,487	39,840,787
Arts, entertainment and recreation	22,784,046	5.43	–	22,784,046
Wholesale and retail trade, repair of motor vehicles	30,753,351	7.33	–	30,753,351
Information and communication	28,375,439	6.76	–	28,375,439
Transportation and storage	15,028,998	3.58	2,486,098	17,515,096
Manufacturing	17,148,485	4.09	–	17,148,485
Construction	7,651,879	1.82	–	7,651,879
Agriculture, forestry and fishing	1,818,990	0.43	–	1,818,990
Activities of households as employers and undifferentiated goods and services	2,372,507	0.57	–	2,372,507
Other service activities	8,523,609	2.03	–	8,523,609
Accommodation and food service activities	1,391,169	0.33	–	1,391,169
Professional, scientific and technical activities	469,695	0.11	–	469,695
Others	9,783,266	2.33	8,537,880	18,321,146
	₱419,675,930	100.0	₱437,973,957	₱857,649,887
<i>Concentration by location</i>				
Philippines	₱419,675,930	100.0	₱380,136,610	₱799,812,540
United States	–	–	15,717,181	15,717,181
Others - Asia	–	–	28,363,556	28,363,556
North America	–	–	7,661,426	7,661,426
South America	–	–	6,095,184	6,095,184
	₱419,675,930	100.0	₱437,973,957	₱857,649,887

The BSP considers significant credit concentration when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio or 10.00% of Tier 1 capital (see Note 5).

Breakdown of total loans as to security and status

As to security

The breakdown of total loans and other receivables (gross of allowance for credit losses, net of unearned discounts) as to secured, with corresponding collateral types, and unsecured loans follows (amounts in thousands):

	Group		Parent Bank	
	2025	2024	2025	2024
Secured:				
Real estate	₱10,387,495	₱8,818,878	₱7,414,816	₱6,110,887
Deposit hold-out	706,833	560,408	603,008	488,506
Chattel mortgage	5,902,374	6,677,423	–	–
Others	70,317,554	60,750,589	70,306,054	60,721,759
	87,314,256	76,807,298	78,323,878	67,321,152
Unsecured	478,678,052	469,927,766	358,831,143	356,835,151
	₱565,992,308	₱546,735,064	₱437,155,021	₱424,156,303

The breakdown as to secured and unsecured of non-accruing loans (gross of unearned discounts and allowance for credit losses) of the Group and the Parent Bank as of December 31 follows:

	Group		Parent Bank	
	2025	2024	2025	2024
Secured	₱8,356,317	₱8,384,920	₱5,607,614	₱6,024,801
Unsecured	31,629,727	29,265,459	20,094,247	18,144,023
	₱39,986,044	₱37,650,379	₱25,701,861	₱24,168,824



As to status

As of December 31, 2025 and 2024, the Group's and Parent Bank's non-performing loans (NPLs) (gross of unearned discounts) and related specific allowance for credit losses in compliance with BSP Circular No. 855 are presented below (amounts in thousands):

	Group		Parent Bank	
	2025	2024	2025	2024
Gross NPLs	₱39,986,044	₱37,650,379	₱25,701,861	₱24,168,824
Specific allowance for credit losses on NPLs	(22,178,720)	(16,774,674)	(14,839,484)	(11,846,563)
	₱17,807,324	₱20,875,705	₱10,862,377	₱12,322,261

Under BSP Circular No. 941, an account or exposure is considered non-performing, even without any missed contractual payments, when it is deemed impaired under existing applicable accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, in the case of secured accounts. All other accounts, even if not considered impaired, shall be considered non-performing if any contractual principal and/or interest are past due for more than ninety (90) days, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans, investment, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is a sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

Information on the amounts of performing and non-performing loans (gross of unearned discounts and allowance for impairment and credit losses) per product line of the Group and Parent Bank as reported in the Group's BSP financial reporting package are as follows:

	Group			Parent Bank		
	2025			2024		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Consumer products*	₱150,938,222	₱8,047,168	₱158,985,390	₱130,770,258	₱6,671,292	₱137,441,550
Corporate loans	134,091,002	263,299	134,354,301	128,229,764	229,962	128,459,726
CSB salary loans	84,786,002	7,889,525	92,675,527	81,827,132	6,976,454	88,803,586
Home loans	47,709,831	6,142,196	53,852,027	60,884,072	7,234,432	68,118,504
Commercial loans	55,107,952	10,907,054	66,015,006	55,051,794	9,596,380	64,648,174
Other receivables from customers**	35,053,126	6,736,802	41,789,928	32,166,922	6,941,860	39,108,782
Total receivables from customers	₱507,686,155	₱39,986,044	₱547,672,199	₱488,929,942	₱37,650,379	₱526,580,321

*Comprised of the Parent Bank's Small and Medium Enterprise (SME) Financial Products, Auto Loans, Credit Cards and Personal Loans

** Comprised primarily of High-net-worth-individuals loans, Corporate retail loans, HR loans, personal loans of Union Digital, and motorcycle loans of CSB



	Parent Bank					
	2025			2024		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Consumer products*	₱150,938,222	₱8,047,168	₱158,985,390	₱130,770,258	₱6,671,292	₱137,441,550
Corporate loans	134,091,022	263,299	134,354,321	128,229,763	229,962	128,459,725
Home loans	47,709,831	6,142,196	53,852,027	60,884,072	7,234,432	68,118,504
Commercial loans	55,107,952	10,907,054	66,015,006	55,051,795	9,596,379	64,648,174
Other receivables from customers**	9,444,335	342,144	9,786,479	9,897,114	436,759	10,333,873
Total receivables from customers	₱397,291,362	₱25,701,861	₱422,993,223	₱384,833,002	₱24,168,824	₱409,001,826

*Comprised of Small and Medium Enterprise (SME) Financial Products, Auto Loans, Credit Cards and Personal Loans

** Comprised primarily of High-net-worth-individuals loans, Corporate retail loans, and HR loans

Related party loans

As of December 31, 2025 and 2024, the Group's and the Parent Bank's related party loans solely consist of DOSRI loans, as shown below (peso amounts in thousands):

	Group		Parent Bank	
	2025	2024	2025	2024
Total DOSRI loans	₱811,242	₱747,727	₱660,819	₱606,488
Unsecured DOSRI loans	350,628	354,656	223,442	257,988
Total related party loans (including DOSRI loans)	811,242	747,727	660,819	606,488
Unsecured related party loans (including DOSRI loans)	350,628	354,656	223,442	257,988
% of DOSRI/related party loans to total loan portfolio	0.15%	0.14%	0.16%	0.15%
% of unsecured DOSRI/related party loans to total DOSRI loans	-%	0.08%	-%	0.10%
% of unsecured DOSRI loans inclusive of fringe benefit loans to total DOSRI loans	43.22%	47.43%	33.81%	42.54%
% of past due DOSRI/related party loans to total DOSRI loans	-%	0.08%	-%	0.10%
% of non-accruing DOSRI/related party accounts to total DOSRI loans	-%	-%	-%	-%

The total unsecured DOSRI loans above include loans extended to employees treated as fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB.

Secured liability and assets pledged as security

The Group's and the Parent Bank's bills payable under repurchase agreements amounted to ₱80.19 billion and ₱104.73 billion as of December 31, 2025 and 2024, respectively.

The Group's and the Parent Bank's investment securities at amortized cost with carrying values of ₱95.25 billion and ₱115.73 billion as of December 31, 2025 and 2024, respectively, were pledged as collaterals against bills payable under repurchase agreement.



Commitments and contingencies

Following is a summary of the Group and Parent Bank's commitments and contingent accounts (amounts in thousands):

	Group		Parent Bank	
	2025	2024	2025	2024
Commitments	₱547,546,423	₱510,778,231	₱547,436,603	₱510,674,959
Forward exchange bought	74,945,703	84,778,570	74,945,703	84,778,570
Forward exchange sold	40,861,069	23,326,152	40,861,069	23,326,152
Other derivatives	35,603,487	30,532,781	35,603,487	30,532,781
Inward bills for collections	34,151,966	19,042,984	34,151,966	19,042,984
Unused standby letters of credit	5,389,057	5,958,221	5,389,057	5,958,221
Spot exchange bought	3,911,446	5,860,221	3,911,446	5,860,221
Spot exchange sold	3,904,537	4,912,824	3,904,537	4,912,824
Outstanding guarantees issued	1,234,426	888,228	1,234,349	888,221
Other commitment and contingent accounts	76,963	91,454	76,948	91,442
Trust department accounts	-	101,121,266	-	-

