



31 March, 2026

**ATTY. SUZY CLAIRE R. SELLEZA**  
Head - Issuer Compliance and Disclosure Department  
Philippine Dealing & Exchange Corp.  
29th Floor, BDO Equitable Tower  
8751 Paseo de Roxas, Makati City 1226

**Re : 2025 Audited Financial Statements and other Financial Statements**

Relative to the above subject, we are transmitting herewith the following for Bank of Commerce – 2025 Audited Financial Statements and other Financial Statements as approved by BOD on March 31, 2026.

Please acknowledge receipt hereof.

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Antonio S. Laquindanum  
Chief Financial Officer



## Emergency Disclosure

March 31, 2026

**THE PHILIPPINE STOCK EXCHANGE, INC.**

6th to 10th Floors, PSE Tower  
5th Avenue corner 28th Street  
Bonifacio Global City, Taguig City

**Attention:** **ATTY. JOHANNE DANIEL M. NEGRE**  
Head, PSE Disclosure Department

**Subject:** **EMERGENCY DISCLOSURE: BNCOM –**  
**PSE Disclosure Form 4-30 Material Information**

Dear Atty. Negre,

In view of technical difficulties encountered in accessing the PSE EDGE submission system, as advised by the PSE Disclosure Department, Bank of Commerce (the "Bank") hereby submits this emergency disclosure in compliance with PSE rules.

Please find attached the fully accomplished **PSE Disclosure Form 4-30** and attached **SEC Form 17-C** filed with the SEC as our official submission.

The Bank undertakes to submit the same disclosure through the PSE EDGE system once it becomes accessible.

Very truly yours,

**EVITA C. CABALLA**  
Corporate Secretary  
Bank of Commerce

**Bank of Commerce  
BNCOM**

**PSE Disclosure Form 4-30 – Material Information / Transactions**

*References: SRC Rule 17 (SEC Form 17-C) and  
Sections 4.1 and 4.4 of the Revised Disclosure Rules*

<b>Subject of the Disclosure</b>
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Approval of the 2025 Audited Financial Statements
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<b>Background / Description of the Disclosure</b>
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In its March 31, 2026 meeting, the Board of Directors of Bank of Commerce approved the Audited Financial Statements (AFS) as of December 31, 2025 and 2024 and For the Years Ended December 31, 2025, 2024 and 2023
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<b>Other Relevant Information</b>
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Attached is the SEC Form 17-C filed with the SEC, and containing a full copy of the 2025 AFS
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**Filed on behalf by:**

<b>Name:</b>	Evita C. Caballa
<b>Designation:</b>	Corporate Secretary



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**


The management of **Bank of Commerce** (the **Bank**) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

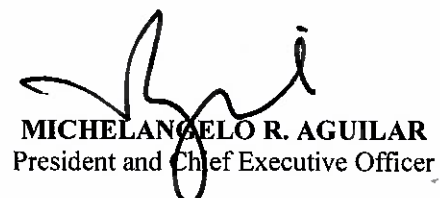
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

The stockholders appointed the independent auditors Punongbayan & Araullo, for the period December 31, 2025, and R. G. Manabat & Co., for the periods December 31, 2024 and 2023, to audit the financial statements of Bank of Commerce in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
**BENEDICTA DU-BALADAD**  
Chairperson of the Board

  
**MICHELANGELO R. AGUILAR**  
President and Chief Executive Officer

  
**ANTONIO S. LAQUINDANUM**  
Executive Vice President and Chief Financial Officer

Signed this 31st day of March 2026

SUBSCRIBED AND SWORN to before me this MAR 31 2026, affiants exhibiting their Passport ID as follows:


Names	Identification No.	Place of Issue	Valid Until
Benedicta Du-Baladad	[REDACTED]	[REDACTED]	[REDACTED]
Michelangelo R. Aguilar	[REDACTED]	[REDACTED]	[REDACTED]
Antonio S. Laquindanum	[REDACTED]	[REDACTED]	[REDACTED]

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Book No. 9  
Series of 2024

Documentary Stamp numbered

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has been attached on one of the original versions of this document set and has been cancelled to prevent its reuse.

  
ATTY. HILARIO M. DE LEON, JR.  
NOTARY PUBLIC, until Dec. 31, 2026  
Appt. No. 0404-25; For Mandaluyong City  
Roll of Attorneys No. 46536  
PTR No. 5708488; 01/06/2025; Mandaluyong City  
IBP OR No. 501684; 01/07/2025; Rizal (RSM) Chapter  
MCLE Compliance No. VII-0031484; 04/04/2024  
Unit 908 Cityland Shaw Tower  
Shaw Blvd. corner St. Francis St., Mandaluyong City





**P&A**  
**Grant Thornton**

**FOR SEC FILING**

Financial Statements and  
Independent Auditors' Report

**Bank of Commerce**

December 31, 2025

## Report of Independent Auditors

### The Board of Directors and the Stockholders

#### Bank of Commerce

San Miguel Properties Centre  
No. 7 St. Francis Street  
Mandaluyong City

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Bank of Commerce (the Bank), which comprise the statement of financial position as at December 31, 2025, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025, and its financial performance and cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

#### *Basis for Opinion*

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

### **Key Audit Matters**

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters identified in our audit of the financial statements of the Bank:

#### **(a) Valuation of Loans and Other Receivables (Expected Credit Losses)**

##### *Description of the Matter*

As at December 31, 2025, the Bank's expected credit losses (ECL) allowance for loans and receivables amounted to P3.12 billion while the carrying amount of loans and receivables amounted to P162.82 billion (as disclosed in Note 12). We have identified the Bank's ECL significant to our audit due to high level of management judgment required in applying PFRS 9, *Financial Instruments*, including the segmentation of credit risk exposures, the determination of default and significant increase in credit risk (SICR), and the use of complex estimation techniques.

The ECL model also involves a substantial estimation uncertainty arising from (a) management's use of key inputs and assumptions such as credit risk ratings, default probabilities, expected cash flows, collateral recoveries, and forward-looking macroeconomic information, and (b) reliance on complex processes and internal controls, and information systems to ensure the completeness and accuracy of data used in the ECL calculation and related disclosures.

Further, in 2025, the Bank recalibrated its ECL framework, introducing enhanced segmentation of corporate and auto loan portfolios and incorporating updated model datasets and refreshed macroeconomic variables, which increased the level of management judgment and estimation uncertainty.

The material accounting policy information, significant judgments, including estimation applied by the management, and those related to the credit risk assessment process of the Bank are disclosed in Notes 3, 4, 5 and 17 to the financial statements.

##### *How the Matter was Addressed in the Audit*

We obtained an understanding of the Bank's ECL methodologies, and the selected accounting policies, and internal controls, and evaluated whether these were: (a) designed and implemented in accordance with PFRS 9; (b) appropriate in the context of the Bank's lending activities, credit risk profile, and regulatory environment, and (c) adequately documented to support significant judgments and estimates.

As part of our audit of the Bank's ECL model, including the key judgments and assumptions used therein, we performed the following:

- evaluated the appropriateness of the ECL methodologies, key assumptions, and staging criteria applied, including the definition of default, determination of SICR, and allocation of loans exposures to Stage 1, Stage 2, or Stage 3 based on quantitative or qualitative indicators;
- tested the application of the Bank's internal credit risk rating system and the mapping of credit risk ratings to the ECL calculation;

- assessed the completeness and accuracy of data used in the ECL model parameters by reconciling management-prepared datasets to source systems, evaluated portfolio stratification, verified the accuracy of mathematical formulas and computational logic applied in the ECL calculations;
- assessed the result of the Bank's model recalibration, including the enhanced segmentation of corporate loans and segmentation of loss given default for auto loans by security, by evaluating the appropriateness of the updated key model parameters, the use of refreshed macroeconomic variables, and the consistency of the recalibrated parameters with the Bank's recent internal loss experience and PFRS 9 requirements;
- evaluated the application of forward-looking information by assessing the selection of macroeconomic variables, scenarios, and probability weightings, and comparing forecasted indicators with trusted publicly available data;
- tested loss given default assumptions using historical recovery data, collateral values, recovery cash flows, and write-offs experience;
- reconciled and tested exposure at default to underlying loan records, including undrawn commitments, historical drawdown behavior, and loan modifications; and,
- assessed the completeness and appropriateness of financial statement disclosures relating to ECL, including judgments, assumptions and estimation uncertainties.

**(b) Core Banking System Migration**

*Description of the Matter*

In 2025, the Bank completed a major migration of its Core Banking System (CBS) as part of its digital transformation initiative. The migration involved transferring customer, loan, deposit, and transactional data from various multifunctional legacy systems to the Bank's newly reformed core banking system, while simultaneously implementing enhanced automated processes for account booking, interest computation, and general ledger integration.

The migration has been considered a key audit matter due to the volume of data transferred and the complexity of the extraction, transformation, and loading process. Any errors during this transition, from pre-migration activities to post-implementation, could have led to inaccuracies in the financial statements. Additionally, the move introduced new Information Technology (IT) controls and access structures that required our assessment to ensure financial data remained secure and accurate.

*How the Matter was Addressed in the Audit*

We performed the following procedures with the assistance of our Firm's IT specialist:

- assessed governance and project oversight of the CBS implementation, including system testing, data conversion controls, and the Bank's go-live authorization processes;
- evaluated controls over the data migration, including the extraction, transformation, and loading of data from legacy system, the reconciliation of migrated balances and master file information to source records, and the Bank's resolution of identified discrepancies;
- evaluated IT general controls over access management, user provisioning, and privileged-access restrictions to assess the adequacy of segregation of duties;
- evaluated the continued integrity of financial processing by testing controls for both system migration activities during the transition period to mitigate the risk of inconsistent data processing or reporting errors; and,

- tested the operating effectiveness of key application controls and configurations in the new CBS, including automated interest and fee computations and general-ledger posting routines.

### ***Other Matter***

The financial statements of the Bank as at December 31, 2024 and for the years ended December 31, 2024 and 2023 were audited by other auditors whose report, dated March 25, 2025, expressed an unqualified opinion on those financial statements prepared under the same basis of accounting. We were not engaged to audit, review or apply any procedures to the 2024 and 2023 financial statements of the Bank. Accordingly, we do not express an opinion or any other form of assurance on the 2024 and 2023 financial statements of the Bank as a whole.

### ***Other Information***

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

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

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

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

Our audit is conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 39 to the financial statements, the Bank presented the supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to financial statements. The supplementary information for the year ended December 31, 2025, required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 38 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by the BIR and BSP are the responsibility of management and are not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Maria Isabel E. Comedia.

### PUNONGBAYAN & ARAULLO



By: **Maria Isabel E. Comedia**  
Partner

CPA Reg. No. 0092966  
TIN 189-477-563  
PTR No. 10770756, January 6, 2026, Makati City  
SEC Group A Accreditation  
Partner - No. 92966-SEC (until financial period 2027)  
Firm - No. 0002 (until financial period 2030)  
BIR AN 08-002551-021-2025 (until August 6, 2028)  
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

March 31, 2026

**BANK OF COMMERCE**  
**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2025	2024
<b>ASSETS</b>			
Cash and Other Cash Items		P3,549,485,190	P4,244,123,801
Due from Bangko Sentral ng Pilipinas	18	18,053,931,266	47,913,456,924
Due from Other Banks		2,105,187,140	3,819,385,135
Interbank Loans Receivable and Securities Purchased under Resale Agreements	8	7,647,508,000	3,587,364,728
Financial Assets at Fair Value through Profit or Loss	9	5,169,707,944	2,875,633,794
Financial Assets at Fair Value through Other Comprehensive Income	10	35,018,310,326	19,078,633,835
Investment Securities at Amortized Cost	11	41,371,074,917	36,611,668,381
Loans and Receivables	12	162,819,304,700	136,505,340,381
Investment in an Associate	13	33,421,266	34,432,505
Property, Equipment and Right-of-Use Assets	14	2,016,723,212	2,000,100,022
Investment Properties	15	4,115,809,308	3,992,770,160
Deferred Tax Assets	32	269,766,065	447,020,544
Other Assets	16	4,683,302,191	4,330,136,845
		<b>P286,853,531,525</b>	P265,440,067,055
<b>LIABILITIES AND EQUITY</b>			
<b>Deposit Liabilities</b>	18		
Demand		P80,072,537,822	P63,961,971,799
Savings		118,415,300,363	125,100,493,087
Time		24,826,278,213	17,916,072,997
Long-term negotiable certificates		-	5,029,420,000
		<b>223,314,116,398</b>	212,007,957,883
<b>Financial Liabilities at Fair Value through Profit or Loss</b>	9	<b>2,085,466</b>	45,214,075
<b>Bonds Payable</b>	20	<b>17,881,000,871</b>	6,534,447,698
<b>Manager's Checks</b>		<b>1,797,802,935</b>	1,414,092,221
<b>Accrued Interest, Taxes and Other Expenses</b>	21	<b>1,349,787,315</b>	1,098,193,220
<b>Other Liabilities</b>	22	<b>5,930,702,162</b>	11,110,094,707
<b>Total Liabilities</b>		<b>250,275,495,147</b>	232,209,999,804
<b>Equity</b>			
Capital stock	24	18,196,805,900	18,196,805,900
Paid-in surplus	24	7,229,275,360	7,229,275,360
Surplus reserves	25	1,583,791,619	1,169,045,556
Retained earnings	24	9,790,692,161	7,501,642,690
Remeasurement losses on retirement asset	29	(323,799,559)	(331,673,141)
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income	10	99,889,342	(534,761,685)
Cumulative translation adjustment		6,579,908	4,760,983
Share in other comprehensive loss of an associate	13	(5,198,353)	(5,028,412)
<b>Total Equity</b>		<b>36,578,036,378</b>	33,230,067,251
		<b>P286,853,531,525</b>	P265,440,067,055

See Notes to the Financial Statements.

**BANK OF COMMERCE**  
**STATEMENTS OF INCOME**

		<b>Years Ended December 31</b>		
	<i>Note</i>	<b>2025</b>	2024	2023
<b>INTEREST INCOME</b>				
Interest income calculated using the effective interest method:				
Loans and receivables	12	<b>P10,833,711,977</b>	P9,428,536,340	P8,244,672,503
Investment securities at fair value through other comprehensive income and at amortized cost	26	<b>3,340,321,806</b>	2,686,906,199	2,247,720,169
Interbank loans receivable and securities purchased under resale agreements	8	<b>553,059,583</b>	542,047,978	875,706,076
Due from Bangko Sentral ng Pilipinas and other banks	18	<b>304,740,263</b>	379,439,699	372,909,945
Other interest income:				
Financial assets at fair value through profit or loss	26	<b>285,715,114</b>	126,909,743	21,561,207
		<b>15,317,548,743</b>	13,163,839,959	11,762,569,900
<b>INTEREST EXPENSE</b>				
Deposit liabilities	18	<b>3,029,162,353</b>	3,465,676,029	2,971,181,154
Bonds payable	20	<b>1,439,443,339</b>	532,933,869	412,986,306
Lease liabilities	30	<b>42,710,641</b>	39,167,445	32,817,258
Bills payable and others	19	<b>27,858,963</b>	15,132,871	49,098,268
		<b>4,539,175,296</b>	4,052,910,214	3,466,082,986
<b>NET INTEREST INCOME</b>		<b>10,778,373,447</b>	9,110,929,745	8,296,486,914
Service charges, fees and commissions				
	27	<b>947,923,853</b>	1,074,763,874	886,379,485
Gains on foreclosure and sale of property and equipment and foreclosed assets - net				
	14, 15, 16	<b>402,394,794</b>	341,527,134	495,400,228
Foreign exchange gains - net				
		<b>251,641,508</b>	127,618,245	141,121,355
Trading and investment securities gains (losses) - net				
	28	<b>96,108,624</b>	(1,040,119)	10,598,350
Miscellaneous	31	<b>132,071,194</b>	102,575,019	145,276,382
<b>TOTAL OPERATING INCOME</b>		<b>12,608,513,420</b>	10,756,373,898	9,975,262,714
Compensation and fringe benefits				
	29	<b>3,036,895,808</b>	2,636,796,103	2,258,396,096
Taxes and licenses				
	32	<b>1,122,806,424</b>	1,094,552,944	1,063,031,768
Depreciation and amortization				
	14, 15, 16	<b>672,579,541</b>	623,167,231	489,379,046
Rent and utilities				
	30	<b>699,953,848</b>	622,696,361	647,697,989
Service fees and commissions				
	27	<b>425,566,062</b>	495,120,304	417,924,021
Insurance				
	18	<b>412,855,283</b>	383,986,220	345,083,471
Provision for credit and impairment losses				
	17	<b>382,200,529</b>	139,412,219	78,844,599
Subscription fees				
		<b>229,409,379</b>	106,359,193	188,452,835
Amortization of software costs				
	16	<b>144,821,164</b>	95,597,821	76,741,228
Management and professional fees				
		<b>92,775,281</b>	97,913,772	140,883,712
Entertainment and recreation				
		<b>16,935,048</b>	19,367,927	12,142,020
Miscellaneous	31	<b>563,746,679</b>	498,085,582	519,792,983
<b>TOTAL OPERATING EXPENSES</b>		<b>7,800,545,046</b>	6,813,055,677	6,238,369,768

Forward

<b>Years Ended December 31</b>				
	<b>Note</b>	<b>2025</b>	2024	2023
<b>INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX EXPENSE</b>		<b>P4,807,968,374</b>	P3,943,318,221	P3,736,892,946
<b>SHARE IN NET LOSS OF AN ASSOCIATE</b>	13	<b>841,298</b>	610,815	782,580
<b>INCOME BEFORE INCOME TAX EXPENSE</b>		<b>4,807,127,076</b>	3,942,707,406	3,736,110,366
<b>INCOME TAX EXPENSE</b>	32	<b>1,267,257,677</b>	917,768,296	933,891,191
<b>NET INCOME</b>		<b>P3,539,869,399</b>	P3,024,939,110	P2,802,219,175
<b>Earnings Per Share Attributable to Equity Holders of the Bank</b>	36			
Basic		<b>P2.32</b>	P1.98	P1.86
Diluted		<b>1.95</b>	1.66	1.54

*See Notes to the Financial Statements.*

**BANK OF COMMERCE**  
**STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2025	2024	2023
<b>NET INCOME</b>		<b>P3,539,869,399</b>	P3,024,939,110	P2,802,219,175
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that may not be reclassified to profit or loss</b>				
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)	10	<b>165,193,680</b>	28,054,000	15,857,461
Net change in remeasurement gains (losses) on retirement asset	29	<b>7,873,582</b>	34,045,756	(287,995,697)
		<b>173,067,262</b>	62,099,756	(272,138,236)
<b>Items that may be reclassified to profit or loss</b>				
Net change in fair value of debt securities at FVOCI	10	<b>501,197,030</b>	(57,697,078)	308,408,749
Net change in fair value of debt securities at FVOCI taken to profit or loss	10	<b>(16,457,282)</b>	(1,623,076)	(6,964,361)
Net movement in cumulative translation adjustment		<b>1,818,925</b>	6,503,189	(7,621,159)
Share in other comprehensive loss of an associate	13	<b>(169,941)</b>	(490,444)	(3,206,283)
		<b>486,388,732</b>	(53,307,409)	290,616,946
		<b>659,455,994</b>	8,792,347	18,478,710
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P4,199,325,393</b>	P3,033,731,457	P2,820,697,885

*See Notes to the Financial Statements.*

**BANK OF COMMERCE**  
**STATEMENTS OF CHANGES IN EQUITY**

Years Ended December 31

	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Asset (Note 29)	Share in Other Comprehensive Loss of an Associate (Note 13)	Cumulative Translation Adjustment	Total Equity
Balance as at January 1, 2025	P18,196,805,900	P7,229,275,360	P1,169,045,556	P7,501,642,690	(P534,761,685)	(P331,673,141)	(P5,028,412)	P4,760,983	P33,230,067,251
Net income for the year	-	-	-	3,539,869,399	-	-	-	-	3,539,869,399
Other comprehensive income (loss) for the year:									
Items that may not be reclassified to profit or loss:									
Net change in fair value of equity securities at FVOCI	-	-	-	-	165,193,680	-	-	-	165,193,680
Net change in remeasurement losses on retirement asset	-	-	-	-	-	7,873,582	-	-	7,873,582
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	501,197,030	-	-	-	501,197,030
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	(16,457,282)	-	-	-	(16,457,282)
Net movement in cumulative translation adjustment	-	-	-	-	-	-	-	1,818,925	1,818,925
Share in other comprehensive loss of an associate	-	-	-	-	-	-	(169,941)	-	(169,941)
Total comprehensive income (loss) for the year	-	-	-	3,539,869,399	649,933,428	7,873,582	(169,941)	1,818,925	4,199,325,393
Cash dividend declared	-	-	-	(851,356,266)	-	-	-	-	(851,356,266)
Transactions within equity:									
Transfer to surplus reserves	-	-	414,746,063	(414,746,063)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	-	-	-	15,282,401	(15,282,401)	-	-	-	-
	-	-	414,746,063	(1,250,819,928)	(15,282,401)	-	-	-	(851,356,266)
<b>Balance as at December 31, 2025</b>	<b>P18,196,805,900</b>	<b>P7,229,275,360</b>	<b>P1,583,791,619</b>	<b>P9,790,692,161</b>	<b>P99,889,342</b>	<b>(P323,799,559)</b>	<b>(P5,198,353)</b>	<b>P6,579,908</b>	<b>P36,578,036,378</b>

Years Ended December 31

	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Asset (Note 29)	Share in Other Comprehensive Loss of an Associate (Note 13)	Cumulative Translation Adjustment	Total Equity
Balance as at January 1, 2024	P18,196,805,900	P7,229,275,360	P1,095,004,461	P5,123,378,774	(P421,192,531)	(P365,718,897)	(P4,537,968)	(P1,742,206)	P30,851,272,893
Net income for the year	-	-	-	3,024,939,110	-	-	-	-	3,024,939,110
Other comprehensive income (loss) for the year:									
Items that may not be reclassified to profit or loss:									
Net change in remeasurement losses on retirement asset	-	-	-	-	-	34,045,756	-	-	34,045,756
Net change in fair value of equity securities at FVOCI	-	-	-	-	28,054,000	-	-	-	28,054,000
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	(57,697,078)	-	-	-	(57,697,078)
Net movement in cumulative translation adjustment	-	-	-	-	-	-	-	6,503,189	6,503,189
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	(1,623,076)	-	-	-	(1,623,076)
Share in other comprehensive loss of an associate	-	-	-	-	-	-	(490,444)	-	(490,444)
Total comprehensive income (loss) for the year	-	-	-	3,024,939,110	(31,266,154)	34,045,756	(490,444)	6,503,189	3,033,731,457
Cash dividend declared	-	-	-	(654,937,099)	-	-	-	-	(654,937,099)
Transactions within equity:									
Transfer to surplus reserves	-	-	74,041,095	(74,041,095)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	-	-	-	82,303,000	(82,303,000)	-	-	-	-
	-	-	74,041,095	(646,675,194)	(82,303,000)	-	-	-	(654,937,099)
Balance as at December 31, 2024	P18,196,805,900	P7,229,275,360	P1,169,045,556	P7,501,642,690	(P534,761,685)	(P331,673,141)	(P5,028,412)	P4,760,983	P33,230,067,251

Years Ended December 31

	Capital Stock (Note 24)	Paid-in Surplus (Note 24)	Surplus Reserves (Note 25)	Retained Earnings (Note 24)	Net Unrealized Losses on Financial Assets at FVOCI (Note 10)	Remeasurement Losses on Retirement Asset (Note 29)	Share in Other Comprehensive Loss of an Associate (Note 13)	Cumulative Translation Adjustment	Total Equity
Balance as at January 1, 2023	P18,196,805,900	P7,229,275,360	P983,407,496	P2,425,229,109	(P730,966,925)	(P77,723,200)	(P1,331,685)	P5,878,953	P28,030,575,008
Net income for the year	-	-	-	2,802,219,175	-	-	-	-	2,802,219,175
Other comprehensive income (loss) for the year:									
Items that may not be reclassified to profit or loss:									
Net change in remeasurement losses on retirement asset	-	-	-	-	-	(287,995,697)	-	-	(287,995,697)
Net change in fair value of equity securities at FVOCI	-	-	-	-	15,857,461	-	-	-	15,857,461
Items that may be reclassified to profit or loss:									
Net change in fair value of debt securities at FVOCI	-	-	-	-	308,408,749	-	-	-	308,408,749
Net movement in cumulative translation adjustment	-	-	-	-	-	-	-	(7,621,159)	(7,621,159)
Net change in fair value of debt securities at FVOCI taken to profit or loss	-	-	-	-	(6,964,361)	-	-	-	(6,964,361)
Share in other comprehensive loss of an associate	-	-	-	-	-	-	(3,206,283)	-	(3,206,283)
Total comprehensive income (loss) for the year	-	-	-	2,802,219,175	317,301,849	(287,995,697)	(3,206,283)	(7,621,159)	2,820,697,885
Transactions within equity:									
Transfer to surplus reserves	-	-	111,596,965	(111,596,965)	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	-	-	-	7,527,455	(7,527,455)	-	-	-	-
	-	-	111,596,965	(104,069,510)	(7,527,455)	-	-	-	-
Balance as at December 31, 2023	P18,196,805,900	P7,229,275,360	P1,095,004,461	P5,123,378,774	(P421,192,531)	(P365,718,897)	(P4,537,968)	(P1,742,206)	P30,851,272,893

See Notes to the Financial Statements.

**BANK OF COMMERCE**  
**STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2025	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax expense		<b>P4,807,127,076</b>	P3,942,707,406	P3,736,110,366
Adjustments for:				
Interest expense on bonds payable	20	<b>1,439,443,339</b>	532,933,869	412,986,306
Depreciation and amortization	14, 15, 16	<b>672,579,541</b>	623,167,231	489,379,046
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	14, 15, 16	<b>(402,394,794)</b>	(341,527,134)	(495,400,228)
Provision for credit and impairment losses	17	<b>382,200,529</b>	139,412,219	78,844,599
Amortization of software costs	16	<b>144,821,164</b>	95,597,821	76,741,228
Unrealized loss (gain) on financial assets at fair value through profit or loss (FVPL)	28	<b>(65,017,733)</b>	1,017,785	(22,810,265)
Interest expense on lease liabilities	30	<b>42,710,641</b>	39,167,445	32,817,258
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	28	<b>(16,457,282)</b>	(1,623,076)	(6,964,361)
Miscellaneous income		<b>(16,360,248)</b>	(128,563)	-
Share in net loss of an associate	13	<b>841,298</b>	610,815	782,580
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Interbank loans receivables	8	<b>138,551,738</b>	(138,551,738)	-
Financial assets at FVPL		<b>(2,272,185,026)</b>	(2,438,846,713)	10,937,613
Loans and receivables		<b>(27,129,007,738)</b>	(27,434,228,302)	(4,762,183,490)
Other assets		<b>(209,473,514)</b>	(969,092,677)	(478,780,746)
Increase (decrease) in:				
Deposit liabilities		<b>11,306,158,515</b>	26,102,588,802	9,638,129,115
Manager's checks		<b>383,710,714</b>	(432,407,634)	1,185,045,941
Accrued interest, taxes and other expenses		<b>193,313,383</b>	(309,693,260)	217,489,398
Other liabilities		<b>(5,203,989,207)</b>	6,952,726,227	(64,244,233)
Net cash generated from (absorbed by) operations		<b>(15,803,427,604)</b>	6,363,830,523	10,048,880,127
Income taxes paid		<b>(1,230,163,869)</b>	(857,379,603)	(793,239,655)
Net cash provided by (used in) operating activities		<b>(17,033,591,473)</b>	5,506,450,920	9,255,640,472

Forward

		<b>Years Ended December 31</b>		
	<b>Note</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale or redemption of:				
Investment securities at amortized cost		<b>P327,291,806,708</b>	P114,959,240,576	P84,500,327,600
Financial assets at FVOCI		<b>3,579,824,518</b>	306,440,323	5,963,068,067
Investment properties		<b>513,524,953</b>	210,303,527	238,440,930
Property and equipment		<b>50,819,504</b>	43,868,326	49,279,179
Additions to:				
Investment securities at amortized cost		<b>(332,051,640,868)</b>	(99,097,828,884)	(84,762,807,309)
Financial assets at FVOCI		<b>(18,717,925,415)</b>	(8,370,802,075)	(10,877,648,681)
Property and equipment	14	<b>(296,487,214)</b>	(446,281,099)	(466,379,345)
Software costs	16	<b>(230,358,709)</b>	(228,113,759)	(149,908,692)
Investment properties		<b>(42,592,233)</b>	(14,077,138)	(21,025,497)
Net cash provided by (used in) investing activities		<b>(19,903,028,756)</b>	7,362,749,797	(5,526,653,748)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of bonds payable	35	<b>17,831,211,213</b>	6,510,558,574	-
Settlement of bonds payable	35	<b>(6,569,750,000)</b>	(7,500,000,000)	-
Payment of interest on bonds	20	<b>(1,281,179,454)</b>	(495,836,441)	(376,972,511)
Cash dividends paid	24	<b>(851,356,266)</b>	(654,937,099)	-
Payment of lease liabilities	35	<b>(267,512,276)</b>	(248,096,753)	(238,014,973)
Net cash provided by (used in) financing activities		<b>8,861,413,217</b>	(2,388,311,719)	(614,987,484)
<b>EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>				
		<b>1,824,886</b>	6,524,975	(7,624,444)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>(28,073,382,126)</b>	10,487,413,973	3,106,374,796
<b>CASH AND CASH EQUIVALENTS - GROSS AT BEGINNING OF YEAR</b>				
Cash and other cash items		<b>4,244,123,801</b>	3,500,645,345	2,735,170,691
Due from Bangko Sentral ng Pilipinas		<b>47,919,926,114</b>	24,275,195,629	23,678,666,441
Due from other banks		<b>3,819,900,855</b>	1,055,497,093	1,044,396,366
Interbank loans receivable and securities purchased under resale agreements		<b>3,449,297,350</b>	20,114,496,080	18,381,225,853
		<b>59,433,248,120</b>	48,945,834,147	45,839,459,351
<b>CASH AND CASH EQUIVALENTS - GROSS AT END OF YEAR</b>				
Cash and other cash items		<b>3,549,485,190</b>	4,244,123,801	3,500,645,345
Due from Bangko Sentral ng Pilipinas		<b>18,056,368,871</b>	47,919,926,114	24,275,195,629
Due from other banks		<b>2,105,471,380</b>	3,819,900,855	1,055,497,093
Interbank loans receivable and securities purchased under resale agreements		<b>7,648,540,553</b>	3,449,297,350	20,114,496,080
		<b>P31,359,865,994</b>	P59,433,248,120	P48,945,834,147

Forward

	<b>Years Ended December 31</b>		
	<b>2025</b>	2024	2023
<b>CASH FLOWS FROM INTEREST AND DIVIDENDS</b>			
<b>Operating Activities</b>			
Interest received	<b>P15,037,145,411</b>	P12,965,794,655	P11,694,840,211
Interest paid	<b>3,077,025,535</b>	3,562,029,531	2,883,397,684
Dividends received	<b>2,661,396</b>	P3,855,229	P5,604,161

*See Notes to the Financial Statements.*

**BANK OF COMMERCE**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. Reporting Entity**

Bank of Commerce (the Bank) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 16, 1963. The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on March 31, 2022, as approved by the SEC on February 15, 2022. The Bangko Sentral ng Pilipinas (BSP) approved the upgrade of the Bank's banking license from commercial bank to universal bank on December 23, 2021. On August 11, 2022, the SEC approved the application of the Bank to act as underwriter of securities engaged in dealing government securities. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. On November 2, 2022, the Bank officially started operations as a universal bank.

The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, credit card and trust services. The Bank's principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 branches nationwide, including the Head Office, as at December 31, 2025, 2024 and 2023.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 31.91% and 30.84% ownership of the Bank's issued common shares, respectively, as at December 31, 2025 and 2024. Each of these shareholders has significant influence over the Bank. SMC Equivest Corporation holds 100% ownership of the Bank's issued non-voting preferred shares as at December 31, 2025 and 2024.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as *The Overseas Bank of Manila*. The Bank received its Foreign Currency Deposit Unit (the FCDU) license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

Under Section 11, Corporate Term of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise. On January 30, 2020, the Board of Directors (BOD) approved the Amended Articles of Incorporation to reflect that the Bank's term of existence shall be perpetual. The said amendment was approved by the SEC on June 9, 2020.

On March 27, 2026, the financial statements of the Bank were endorsed by the Audit Committee to the BOD for its approval. The financial statements were approved and authorized for issue by the BOD on March 31, 2026.

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## 2. Basis of Preparation

### Statement of Compliance

These financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS Accounting Standards) as issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC). PFRS Accounting Standards are based on IFRS Accounting Standards issued by the International Accounting Standards Board (IASB).

### Basis of Measurement

The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

<u>Items</u>	<u>Measurement Bases</u>
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement assets	Present value of the defined benefit obligation less fair value of plan assets

### Functional and Presentation Currency

The financial statements include accounts maintained in the Regular Banking Unit (the RBU) and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP as discussed in Note 3. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

### Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

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## 3. Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the adoption of the following amended standard, which became effective beginning January 1, 2025. Unless otherwise indicated, the adoption of this amended standard did not have an impact on the financial statements of the Bank. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

*Lack of Exchangeability (Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates)*. The amendments require entities to assess whether a currency is exchangeable and to determine a spot exchange rate when exchangeability is lacking. These amendments also mandate the disclosure of information that enable users of financial statements to understand the impact of a currency not being exchangeable.

### Foreign Currency Transactions and Translation

Foreign exchange differences arising from foreign currency transactions and revaluation and translation of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of "Foreign exchange gains - net" account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in "Net change in fair value of equity securities at FVOCI" in other comprehensive income (OCI).

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Banking Association of the Philippines (BAP) closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated to PHP based on the BAP closing rate prevailing at the end of the year. Foreign currency-denominated income and expenses are translated to PHP at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP weighted average rate (WAR) for the year. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date. The exchange differences arising from translation (i.e., BAP WAR and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to OCI under "Net movement in cumulative translation adjustment" in the statements of comprehensive income. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of comprehensive income is recognized in the statements of income.

### Financial Instruments - Initial Recognition

#### ▪ *Date of Recognition*

Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, bonds payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

#### ▪ *Initial Recognition of Financial Instruments*

All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

## Financial Instruments - Classification and Subsequent Measurement

### *Financial Assets*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are for sole payment of principal and interest (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

### *Business Model Assessment*

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- 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 in which those risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

### *SPPI Test*

As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on 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). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a "more than de minimis" exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

#### *(i) Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank 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 a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) *Financial Assets at Amortized Cost*

The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are 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. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included under "Interest income" account in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under "Provision for credit and impairment losses" account, while reversals of ECL are recognized under "Reversal of credit and impairment losses" account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under "Foreign exchange gains - net" account in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2025 and 2024, the Bank has not made such designation.

(iii) *Financial Assets at FVOCI*

▪ *Debt Securities*

The Bank measures debt securities at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the “Net unrealized gains (losses) on financial assets at FVOCI” account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to “Provision for credit and impairment losses” account if the resulting ECL is impairment losses and to “Reversal of credit and impairment losses” account if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under “Trading and investment securities gains (losses) - net” account in the statements of income.

- *Equity Securities*

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

Equity securities designated 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 OCI under “Net unrealized gains (losses) on financial assets at FVOCI” account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as “Miscellaneous income” when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to “Retained earnings” account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9.

#### *Financial Liabilities*

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for-trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit and loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank's financial liabilities at amortized cost include deposit liabilities, bills payable, bonds payable, manager's checks, lease liabilities, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, and ECL on off-balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gains - net" account in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

#### *Reclassification of Financial Assets and Liabilities*

The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

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

Financial liabilities are not reclassified.

#### Modifications of Financial Assets and Financial Liabilities

##### *Financial Assets*

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the statements of income and expenses as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

To determine whether a modification of a financial asset is substantial or non-substantial, the guidance set out in this policy should be applied. Where it is not clear whether a "substantial modification" has occurred based on the application of this guidance, a 10.0% net present value change (equivalent to the PFRS 9 - test for financial liabilities) should be applied as a backstop.

In some cases, whether or not a modification is substantial will be clear with little or no analysis while in others, a high degree of judgment may be required.

The modification of a financial asset could involve one or both of the following:

- (a) Changes in contractual terms that have a direct impact on the contractual cash flows. For example: changes to limit, tenor (maturity), interest rate, currency, or introduction or removal of features that give rise to cash flows other than payments of principal and interest on the principal amount outstanding;
- (b) Changes in contractual terms that do not have a direct impact on the contractual cash flows. For example: changes in security, collateral or other credit enhancements that change the credit risk associated with the loan.

Based on the Bank's policy, the delineation between substantial and non-substantial modifications should focus on category (a) modifications, specifically changes in credit limit, tenor, currency or SPPI characteristics.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income.

For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

#### *Financial Liabilities*

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in the statements of income. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognized in the statements of income. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining terms of the modified financial liability by re-computing the EIR on the instrument.

## Derecognition of Financial Assets and Financial Liabilities

### *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 rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either:  
(a) has transferred substantially all the risks and rewards of ownership of the asset;  
or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income.

### Impairment of Financial Assets

The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

### *Expected Credit Loss Methodology*

The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that 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. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

### *Staging Assessment*

For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced SICR since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.
- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date and matured accounts with outstanding balances. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

### *Definition of "Default" and "Cure"*

The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e., breach of covenant) and quantitative (i.e., overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e., to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of the Manual of Regulations for Banks (MORB), *Past Due Accounts and Non-Performing Loans*.

### *Credit Risk at Initial Recognition*

The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) for corporate loans and credit scorecards for consumer loans to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk. On the other hand, credit scorecard is a tool used to evaluate the credit risk associated to individual customers. Customer-specific factors and internal data are taken into consideration to calculate a credit score. The credit decision is based on the output of the credit score and policy rules.

### *Significant Increase in Credit Risk*

The definition of a SICR varies by portfolio where the determination of the change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. For the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank's internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

#### *ECL Parameters and Methodologies*

ECL is a function of the following credit risk parameters:

(a) Probability of Default (PD)

The PD is the measure of likelihood that a borrower will be unable to settle his obligation/s on time and in full over a given time period, either over the next 12 months (12-month PD) or over the remaining life (Lifetime PD) of the loan obligation. The Bank currently uses its ICRRS, behavioral scorecard and other relevant drivers of default to segment exposures with homogenous risk characteristics.

Point-in-Time (PiT) PD calibration is done to reflect the current trends in business and credit cycle. Macroeconomic forecasts are incorporated to come up with PiT PDs that are unbiased and forward-looking projections of future default risk.

(b) Loss Given Default (LGD)

LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to consider cashflow recoveries on collateral. For some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.

LGD estimation also considers the present value calculation and cost adjustment in determining the recoveries.

(c) Exposure at Default (EAD)

EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. When estimating EAD, several factors are taken into account, including the length of time for which the estimation is being made, the predicted cash flows until the point of default, total loan tenure, and the remaining duration of the loan. This provides a more robust estimate of the total amount the Bank is exposed to.

#### *Forward-looking Information*

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The Bank enhanced its ECL methodology by incorporating multiple future macroeconomic expectations in order to estimate credit losses on the basis of probability-weighted outcomes. The Bank has performed statistical analysis of historical data to determine which macroeconomic variables (MEVs) are correlated with the performance of specific loan portfolios. The MEVs considered were obtained using publicly available sources such as BSP and Philippine Statistics Authority. A broad range of forward-looking information are assessed as economic inputs. Based on historical data analysis, the Bank found significant relationships between MEVs and credit risk which vary by product type. Forward looking MEVs used include Employment Index & Unemployment, Value of Production Index (VAPI), Consumer Outlook, Gross Domestic Product (GDP) (Exports and Agriculture), Foreign Exchange rates, Inflation rate, market-driven benchmark rate Bloomberg Valuation (BVAL) and Stock Exchange Index. The selected MEVs were confirmed using experienced credit judgment.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

#### *Restructured Loans*

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

#### *Write-offs*

Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" account in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

#### 'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

#### Offsetting

Financial assets and liabilities are offset with the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, as the related assets and liabilities are presented gross in the statements of financial position.

As at December 31, 2025 and 2024, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

#### Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Conversely, SPURA to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

### Financial Guarantees and Undrawn Loan Commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual values of undrawn loan commitments, where the loans agreed to be provided are on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" account in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

### Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.26% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

### Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any costs that are directly attributable in bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management.

Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	1 - 7
Leasehold improvements	1 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

#### Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as "Gain on foreclosure" under "Gain on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income. Foreclosed properties are classified under "Investment properties" upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (*dacion en pago*).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

#### Other Properties Acquired

Other properties acquired, included under "Other assets" account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of the other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

#### Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

#### *Branch Licenses*

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

#### *Software Costs*

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over five years. Software costs are carried at cost less accumulated amortization and any impairment in value.

#### Impairment of Investment in an Associate and Non-financial Assets

##### *Investment in an Associate, Property, Equipment and Right-of-Use Assets, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"*

At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement assets which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

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 Bank.

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 best economic interest.

The fair value measurement of a non-financial asset takes into account a 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.

#### Fair Value Hierarchy

The Bank 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 as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank 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.

External appraisers are involved for valuation of significant assets such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. In particular, the external appraisers must hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

#### *Determining whether the Bank is acting as a Principal or an Agent*

The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. Income from fiduciary and custodianship activities are included under "Service charges, fees and commission" account in the statements of income.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Revenues Within the Scope of PFRS 15*

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

#### *Service Charges and Penalties*

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

### *Fees and Commissions*

#### *(i) Fee Income Earned from Services that are Provided over a Certain Period of Time*

Fees earned for the provision of services over a period of time are accrued over that period. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown is expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

#### *(ii) Fee Income Earned from Providing Transaction Services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees and brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as the other participants.

### *Discounts Earned and Awards Revenue on Credit Cards*

Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty program is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty program are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty program is included under 'Service charges, fees and commissions' in the statements of income.

### *Other Income*

Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income.

### *Revenues Outside the Scope of PFRS 15*

#### *Interest Income*

Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses.

The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in the statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" accounting policy section), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

#### *Trading and Investment Securities Gains or Losses*

Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

#### *Dividend Income*

Dividends are recognized when received or when the Bank's right to receive the dividends is established.

#### *Rent Income*

Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

#### *Recovery from Charged-off Assets*

Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the statement of income in the year of recovery.

#### Expense Recognition

Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank and can be measured reliably.

#### *Interest Expense*

Interest expense for all interest-bearing financial liabilities is recognized in "Interest expense" account in the statements of income using the EIR of the financial liabilities to which they relate.

#### *Other Expenses*

Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

## Employee Benefits

### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Retirement Benefits*

The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## Equity

*“Capital Stock”* is recorded at par for all shares issued and outstanding.

*“Paid-in Surplus”* represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are charged to *“Paid-in surplus”*.

*“Retained Earnings”* represents the accumulated earnings of the Bank.

*“Surplus Reserves”* represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, 10.0% of the Bank’s profit from trust business, and self-insurance of the Bank.

## Leases

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

### *Bank as Lessee*

At the commencement or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents the right-of-use assets in “Property, Equipment and Right-of-Use Assets” while lease liabilities are included under “Other liabilities” in the statements of financial position.

#### *Short-term Leases and Leases of Low-value Assets*

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as a rent expense on a straight-line basis over the lease term.

#### *Bank as Lessor*

At the inception or upon modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

#### Income Tax Expense

##### *Current Tax*

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

##### *Deferred Tax*

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year 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 reporting date. These reflect uncertainty related to income taxes, if there is any.

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

#### Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

#### Contingent Assets and Liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

#### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

The Bank has established policies and procedures governing the handling of related party transactions in accordance with BSP and SEC regulations to ensure that related party transactions are entered into on arm's length bases and are consistent with the Bank's and its stakeholders' best interests.

Material related party transactions whose value exceeds 10% of the Bank's total resources based on its latest audited financial statements, either individually or aggregated within a 12-month period, with the same related party, shall require approval by at least two-thirds vote of the BOD with at least a majority of the independent directors voting to approve the material related party transaction prior to the execution of the material related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock.

#### Events After the Reporting Date

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

### Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

### Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2025. However, the Bank has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

#### *Effective January 1, 2026*

- *Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures)*. The amendments clarify and refine the classification and measurement guidance in PFRS 9, particularly when to derecognize financial liabilities (generally on settlement date) and introduce an accounting policy option to derecognize certain liabilities earlier when settled via electronic payment systems if specified conditions are met.

These also clarify contractual cash flow assessments for financial assets with contingent [including Environmental, Social and Governance (ESG) goal-linked] features and provide guidance on non-recourse assets and contractually linked instruments. Correspondingly, PFRS 7 adds enhanced disclosures for instruments with contingent-ESG-linked terms and for equity instruments designated at FVOCI.

- *Amendments to Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7)*
- *Annual Improvements to PFRS Accounting Standards – Volume 11*
  - *Gain or Loss on Derecognition (Amendments to PFRS 7)*. The amendments update the old reference to 'inputs that were not based on observable market data' with 'unobservable inputs', aligned with PFRS 13 Fair Value Measurement.
  - *Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7)*. The amendments:
    - clarify that the implementation guidance does not cover all disclosure requirements in PFRS 7;
    - align the wording on deferred differences between fair value and transaction price with PFRS 7, PFRS 9 and PFRS 13; and,
    - simplify the credit risk disclosure wording to clarify that the illustration of purchased or originated credit-impaired financial assets.

- *Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9)*. The amendments:
  - clarify that when a lessee has determined a lease liability is extinguished in accordance with PFRS 9, the resulting difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and
  - replaced the term 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.
- *Cost Method (Amendments to PAS 7 Statement of Cash Flows)*. The amendments replaced the term 'cost method' with 'at cost' given the definition of 'cost method' has previously been removed from PFRS Accounting Standards.

*Effective January 1, 2027*

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes).

The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures (MPMs). The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank's statement of income, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is aggregated and disaggregated in the financial statements.

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#### **4. Critical Judgments and Estimates**

The preparation of financial statements in conformity with PFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Significant Judgments

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

##### a) *Leases*

###### *Bank as Lessee*

The Bank leases properties, land and buildings for the premises it uses for its operations.

The Bank recognizes right-of-use assets and lease liabilities for most leases-on-balance sheet leases. However, the Bank has elected not to recognize right-of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant judgment is exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is BVAL rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 14 and 22, respectively.

###### *Bank as Lessor*

The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

##### b) *Business Model Assessment*

The Bank manages its financial assets based on the 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 investing and trading activities consistent with its risk appetite.

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

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to, taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. 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 Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

*c) Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated.

Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

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

*d) Functional Currency*

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services;

- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

e) *Provisions and Contingencies*

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 38).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) *Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees*

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

The ECL methodology of the Bank is regularly recalibrated to improve the accuracy of the ECL models using updated data. Significant factors affecting the estimates on the enhanced ECL model include:

- The default and credit impaired financial assets are aligned across all credit portfolios;
- PD segmentation is based on the staging criteria (i.e., delinquency age buckets, internal credit risk ratings and loan status);
- The LGD takes into account post-default relevant information such as cost of recoveries and curing rate. LGD is adjusted to its present value of expected cash flows using risk-adjusted interest rate. The final LGD estimates are pooled by collateral type;
- EAD estimates consider (a) time horizon for which EAD needs to be estimated, (b) projected cash flows until the estimated point of default and (c) remaining loan term;

- The Bank uses three economic scenarios to arrive at probability-weighted ECL estimates. These scenarios represent a most likely outcome (that is, the 'Baseline' or central scenario) and two less likely scenarios on the either side of the central (that is, the 'Optimistic' and 'Pessimistic', respectively). The scenario weights are developed based on the relative frequency distribution of historical GDP data. Both the 'Optimistic' and 'Pessimistic' scenarios reflect the lower and upper levels whereas the 'Baseline' scenario represents the central distribution; and

The Bank regularly refreshed the ECL framework. In 2024, updates on the ECL parameters involved the following:

- The most recent data was applied for PD, LGD and EAD;
- LGD estimates for corporate loans were updated; and
- The MEVs were tested and updated based on the incremental data during refresh. The updated MEVs include Remittances, Loan Performances, VAPI, Stock Exchange Index, Consumer Outlook, Foreign Exchange rates, Employment Index & Unemployment rate and GDP (Exports and Agriculture).

In 2025, updates on the ECL parameters involved the following:

- The most recent data was applied for PD, LGD and EAD;
- Segmentation of corporate loans to differentiate PD for large corporates and micro, small and medium enterprises (MSMEs);
- Segmentation of auto loans to differentiate losses (LGD) from secured and unsecured loans; and
- The MEVs were tested and updated based on the incremental data during refresh. The updated MEVs include VAPI, Stock Exchange Index, Consumer Outlook, Foreign Exchange rates, Employment Index & Unemployment rate, GDP (Exports and Agriculture), Inflation rate, and market-driven benchmark rate (BVAL).

Refer to Notes 3 and 5 for the detailed discussions of the inputs, assumptions and estimation uncertainty used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 17.

*(ii) Fair Value of Financial Instruments*

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. 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. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

*(iii) Fair Value of Investment Properties*

The Bank's investment properties are composed of land and buildings which are measured using cost model. The estimated fair value of investment properties disclosed in Notes 6 and 15 is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

*(iv) Impairment of Investment in an Associate and Non-financial Assets*

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- a) significant underperformance relative to expected historical or projected future operating results;
- b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- c) significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of investment in an associate, property, equipment and right-of-use assets, investment properties, other properties acquired and intangible assets under "Other Assets" are disclosed in Notes 13, 14, 15 and 16, respectively.

*(v) Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs*

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment and computer software.

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

*(vi) Recognition of Deferred Tax Assets*

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

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 32.

*(vii) Valuation of Retirement Benefit Obligation and Related Plan Assets*

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date.

Further, the Bank's retirement benefit plan maintains plan assets that are measured at fair value. The fair value of plan assets is determined based on the latest valuation reports from the administering trust company, using quoted market prices for instruments that are actively traded and valuation techniques such as the discounted cash flow method for assets without quoted prices.

The present value of the Bank's retirement obligation and the fair value of plan assets, including the analysis of the movements and related income and expenses, are disclosed in Note 29.

*(viii) Contingencies*

The Bank is currently involved in various legal proceedings. The probable costs for the resolution of these proceedings have been estimated by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results.

Management currently does not believe that these proceedings will have a material adverse effect on the Bank's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 38).

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## **5. Financial Risk Management Objectives and Policies**

### Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, interest rate risk in the banking book (IRRBB), market and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

### Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks. However, there are separate independent units at the BOD and management levels, which are responsible for managing and monitoring financial risk.

#### *Board of Directors*

The BOD is primarily responsible for the sound governance of the Bank, promotion of the highest standards of ethics and integrity. It approves and oversees the implementation of the Bank's strategic objectives and establishes and maintains sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

#### *Executive Committee (Excom)*

The Excom is primarily responsible for the evaluation, approval and/or endorsement to the BOD for approval, credit and real and other properties acquired (ROPA) sales proposals from Management. The Excom also evaluates and recommends for BOD approval new, amended or enhanced Bank policies, products or services. The Excom may also act on such specific matters within the competence of the BOD, as may be delegated by majority vote of the BOD, except on certain matters expressly reserved by law for stockholders' and/or for the BOD' action.

#### *Corporate Governance Committee*

The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System. It is responsible for ensuring due observance of corporate governance principles and guidelines across the Bank.

#### *Related Party Transactions Committee (RPTCom)*

The RPTCom assists the BOD in fulfilling its responsibility of ensuring that transactions with related parties are arm's length. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

#### *Audit Committee*

The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditors, and the experience of the Committee's members in business, financial and accounting matters.

#### *Board Risk Oversight Committee (BROC)*

The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

#### *Risk Management Division (RSK)*

The RSK reports to the BROC and is responsible for assessing and monitoring the risk-taking activities of the Bank whether exposures remain at acceptable levels based on the Board-approved Risk Appetite. It coordinates with Finance and Controllarship Group on the adequacy of the Bank's capital in absorbing the risks present in the Bank's business. It formulates and recommends policies to manage market, liquidity, credit, operational, information technology, and trust risks arising from the business of the Bank. RSK also assists the BROC in actively promoting a culture of risk awareness and risk management.

#### *Senior Executive Team (SET)*

The SET brings together the Chief Executive Officer, Group Heads and select Division Heads of the Bank to discuss and take up policy and strategic issues vital to the Bank's business, shareholders, employees and long-term viability.

#### *Asset Liability Management Committee (ALCO)*

The ALCO is responsible for setting, developing and implementing the Bank's Asset Liability Management (ALM) and hedging policy. It also reviews the allocation of resources, pricing of products and foreign exchange position of the Bank.

#### *Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)*

The ICAAPcom is responsible for managing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

#### *Credit and Collections Committee (Crecom)*

The Crecom plays a critical role in the credit approval process. It has the power to approve credit proposals of any sort, e.g. establishment, renewal, extension, increase/decrease, restructuring or settlement of a credit line or term loan (whether short or long) within its authority and to endorse those credit proposals which are beyond its authority to the Excom and/or the BOD. It has likewise the responsibility to ensure that credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with the set regulations. On top of these, the Crecom studies and deliberates proposals intended to adopt new credit policies or to amend existing ones or to offer new loan products or programs, prior to endorsement to the SET and Excom for approval.

#### *Internal Audit Division*

Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank. The Internal Audit Division reports to the Audit Committee.

#### *Legal Services Division*

The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are disseminated and complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

#### *Compliance Division*

The Compliance Division is responsible for coordinating, monitoring and facilitating the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program.

#### Risk Measurement and Reporting Systems

The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information is processed, analyzed and consolidated for proper reporting to the BOD through the BROCC, as well as the SET and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, operational losses, and disruptions.

#### Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes.

#### Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROCC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposures and act upon limit breaches whenever necessary.

#### Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk.

#### *Derivative Financial Instruments*

The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as "Financial assets at FVPL" account in the statements of financial position.

#### *Credit-related Commitment Risks*

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

#### *Credit Risk Exposures*

The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	After Financial Effect of Collateral or Credit Enhancement	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	P123,908,336,755	P119,156,324,545	P102,122,054,012	P95,440,542,042
Agri-agra loans	13,200,586,952	13,099,936,806	13,570,344,235	13,566,502,013
Housing loans	12,230,064,280	7,127,635,584	9,479,983,651	6,625,490,914
Auto loans	6,032,585,960	3,691,257,400	4,817,361,550	4,555,858,290
Bills purchased, import bills and trust receipts	1,531,079,655	1,531,079,655	1,177,712,704	1,177,712,704
Direct advances	282,612,834	11,488,460	293,010,557	5,844,940
Others	2,696,555,631	2,696,555,631	2,301,332,860	2,301,172,355
	159,881,822,067	147,314,278,081	133,761,799,569	123,673,123,258
Sales contract receivables	225,420,385	-	278,434,248	-
	P160,107,242,452	P147,314,278,081	P134,040,233,817	P123,673,123,258

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2025 and 2024.

As at December 31, 2025 and 2024, fair value of collaterals held for loans and receivables amounted to P24.5 billion and P18.5 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2025 and 2024:

	December 31, 2025			
	Maximum Exposure			Expected Credit Loss
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	
Receivables from customers:				
Term loans	P678,163,855	P14,022,793	P664,141,062	P321,461,564
Agri-agra loans	313,031,389	41,744,572	271,286,817	203,967,261
Housing loans	265,332,024	175,372,054	89,959,970	40,464,764
Auto loans	545,905,215	408,090,587	137,814,628	281,060,199
Bills purchased, import bills and trust receipts	10,878,153	-	10,878,153	10,878,153
Direct advances	89,412,393	14,943,109	74,469,284	79,509,284
Others*	357,801,746	183,896	357,617,850	262,660,357
	2,260,524,775	654,357,011	1,606,167,764	1,200,001,582
Sales contract receivables	97,261,064	43,648,057	53,613,007	54,049,487
	P2,357,785,839	P698,005,068	P1,659,780,771	P1,254,051,069

	December 31, 2024			
	Maximum Exposure			Expected Credit Loss
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	
Receivables from customers:				
Term loans	P680,576,644	P18,051,343	P662,525,301	P304,767,316
Agri-agra loans	138,284,306	-	138,284,306	138,284,306
Housing loans	284,138,121	125,120,332	159,017,789	73,501,172
Auto loans	336,290,190	275,422,326	60,867,864	243,410,847
Bills purchased, import bills and trust receipts	45,926,838	-	45,926,838	45,926,838
Direct advances	69,569,282	-	69,569,282	69,569,282
Others*	304,187,793	183,895	304,003,898	226,824,514
	1,858,973,174	418,777,896	1,440,195,278	1,102,284,275
Sales contract receivables	90,873,179	37,260,172	53,613,007	53,985,608
	P1,949,846,353	P456,038,068	P1,493,808,285	P1,156,269,883

\*Comprised of benefit loans, salary loans and credit cards.

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2025 and 2024.

#### *Collaterals and Other Credit Enhancements*

The amount and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collaterals obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;
- For commercial lending: holdout on deposits, mortgages over real properties, inventory and trade receivables and chattel mortgages; and
- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose of repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and/or formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for down payment as compared to prevailing market rates, among others.

### *Credit Quality Per Class of Financial Assets*

The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's ICRRS is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility risk factor (FRF), the borrower risk rating (BRR) can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

### *BRR Disclosure*

In compliance with BSP, the Bank implemented a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the borrower's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. The financial condition is assessed by the Bank through financial ratio analysis based on the latest available financial information of the borrower. The Bank performs industry analysis by reviewing actual and expected significant changes in the political, regulatory, and technological environment of the borrower or in its business activities. Management quality is assessed by reviewing the experience and quality of management and management's business strategy. In addition, management's business planning and management of banking relationship are also considered. Each section is given the following point allocation:

<b>Section</b>	<b>Maximum Points</b>	<b>Section Rating</b>
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
<b>TOTAL</b>	<b>600</b>	<b>100%</b>

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	30 points
Satisfactory	20 points
Still acceptable	10 points
Poor	0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
		Substandard	8
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Substandard Grade or accounts with BRR of 7-8 are loans still in current status but observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Consumer loans portfolio and credit card receivables undergo credit scoring, which results in applications either being referred for further manual evaluation or declined. Receivables considered outside the main business lines of the Bank are considered unrated accounts, which include benefit loans, accounts receivable, accrued interest receivables, sales contract receivables and returned checks and other cash items (RCOCI).

The BRR can be subject to an upgrade/downgrade on the basis of the following:

*Group Affiliation:*

- (a) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

- (b) If the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.
- (c) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.
- (d) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.
- (e) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

*FRF:*

- (a) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.
- (b) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	Third party guarantees in accordance with the BRR of the guarantor an upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2025 and 2024 (amounts in thousands).

December 31, 2025											
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
<b>Stage 1</b>											
Neither past due nor impaired:											
High grade	P46,610,848	P -	P -	P1,367,723	P259,479	P -	P -	P48,238,050	P -	P1,291,175	P49,529,225
Standard grade	73,572,330	-	-	165,234	9,686	10,490,472	-	84,237,722	-	570,406	84,808,128
Subject to scoring and unrated	-	11,762,451	5,581,212	-	-	-	2,585,303	19,928,966	173,610	788,383	20,890,959
	120,183,178	11,762,451	5,581,212	1,532,957	269,165	10,490,472	2,585,303	152,404,738	173,610	2,649,964	155,228,312
<b>Stage 2</b>											
Neither past due nor impaired:											
Standard grade	2,947,810	-	-	-	-	2,792,525	-	5,740,335	-	45,838	5,786,173
Substandard grade	710,000	-	-	-	603	-	-	710,603	-	1,968	712,571
Past due but not impaired	-	255,708	206,384	-	3,053	-	105,419	570,564	10,439	48,378	629,381
Impaired	37,500	-	-	-	-	-	-	37,500	-	-	37,500
	3,695,310	255,708	206,384	-	3,656	2,792,525	105,419	7,059,002	10,439	96,184	7,165,625
<b>Stage 3</b>											
Impaired	678,164	265,332	545,905	10,878	89,413	313,031	357,802	2,260,525	97,261	891,459	3,249,245
	678,164	265,332	545,905	10,878	89,413	313,031	357,802	2,260,525	97,261	891,459	3,249,245
	P124,556,652	P12,283,491	P6,333,501	P1,543,835	P362,234	P13,596,028	P3,048,524	P161,724,265	P281,310	P3,637,607	P165,643,182

\*Comprised of benefit loans, salary loans and credit cards.

\*\*Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2024

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
Stage 1											
Neither past due nor impaired:											
High grade	P31,219,537	P -	P -	P559,000	P287,264	P1,303,843	P -	P33,369,644	P -	P935,085	P34,304,729
Standard grade	68,496,710	-	20,751	622,537	4,928	12,144,771	-	81,289,697	-	551,839	81,841,536
Subject to scoring and unrated	-	9,105,032	4,647,760	-	-	-	2,213,384	15,966,176	238,950	959,902	17,165,028
	99,716,247	9,105,032	4,668,511	1,181,537	292,192	13,448,614	2,213,384	130,625,517	238,950	2,446,826	133,311,293
Stage 2											
Neither past due nor impaired:											
Standard grade	1,537,683	-	-	-	-	-	-	1,537,683	-	2,697	1,540,380
Substandard grade	810,000	-	-	-	962	170,000	-	980,962	-	14,632	995,594
Past due but not impaired	-	175,498	71,241	-	-	-	88,332	335,071	5,042	30,800	370,913
Impaired	75,000	-	-	-	-	-	-	75,000	-	423	75,423
	2,422,683	175,498	71,241	-	962	170,000	88,332	2,928,716	5,042	48,552	2,982,310
Stage 3											
Impaired											
	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	837,498	2,787,344
	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	837,498	2,787,344
	P102,819,507	P9,564,668	P5,076,042	P1,227,464	P362,723	P13,756,898	P2,605,904	P135,413,206	P334,865	P3,332,876	P139,080,947

\*Comprised of benefit loans, salary loans and credit cards.

\*\*Comprised of accrued interest receivables, accounts receivables and RCOCI

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2025 and 2024 (amounts in thousands).

	December 31, 2025			Total
	Stage 1	Stage 2	Stage 3	
<b>Loan Commitment and Financial Guarantees</b>				
Neither past due nor impaired:				
High grade	P1,185,891	P -	P -	P1,185,891
Standard grade	22,798,116	-	-	22,798,116
Subject to scoring*	4,427,078	-	-	4,427,078
Impaired	-	-	10,000	10,000
	<b>P28,411,085</b>	<b>P -</b>	<b>P10,000</b>	<b>P28,421,085</b>

\*Comprised of unused credit card lines.

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Loan Commitment and Financial Guarantees</b>				
Neither past due nor impaired:				
High grade	P1,486,993	P -	P -	P1,486,993
Standard grade	24,379,059	-	-	24,379,059
Subject to scoring*	3,866,333	-	-	3,866,333
	<b>P29,732,385</b>	<b>P -</b>	<b>P -</b>	<b>P29,732,385</b>

\*Comprised of unused credit card lines.

#### Sensitivity of ECL to Future Economic Conditions

Set out below are the changes to the Bank's ECL in 2025 and 2024 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

	December 31, 2025			
	Change in MEV		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEV	Impact of 1% Decrease in MEV
<b>Corporate MEV</b>				
Inflation Rate: annual change in inflation with reference to 2018 year lagged over 6 months				
Quarterly change of the Philippine Treasury Reference Rates – PHP BVAL Tenor-20Y; lagged to 6 months	1%	1%	-0.01%	0.01%
Month end Philippines Stock Exchange Index lagged over 9 months*				
VAPI of key manufacturing enterprises by industry (2018 = 100, growth rates in percentage) *				
<b>Auto MEV</b>				
Annual change of the monthly inflation rate lagged over 12 months				
Monthly Unemployment Rate lagged over 11 months				
Consumer Expectations Survey: Quarterly Consumer Outlook (current) lagged over 3 months*	1%	1%	0.01%	-0.01%
Annual change of value of production index (VAPI) of key manufacturing enterprises by industry (2018 = 100, growth rates in percentage for periods indicated) lagged over 6 months*				
<b>Housing MEV</b>				
Inflation Rate: annual change in inflation with reference to 2018 year lagged over 9 months				
Monthly unemployment rate lagged over 12 months	1%	1%	0.01%	-0.01%
Consumer Expectations Survey: Quarterly Consumer Outlook (current) lagged over 3 months*				
<b>Salary MEV</b>				
Monthly unemployment rate, lagged over 8 months				
Lag 12 of the annual change in month end Philippine Stock Exchange Index*				
Consumer Expectations Survey: Quarterly Consumer Outlook (current) lagged over 12 months*	1%	1%	1.06%	2.25%
A 12-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

\*These variables have a negative relationship with default

December 31, 2024				
	Change in MEV		Impact on ECL	
	Increase	Decrease	Impact of 1% Increase in MEV	Impact of 1% Decrease in MEV
<b>Corporate MEV</b>				
Out-of-period Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 3 months				
Lag 3 of the annual change of the Overseas Filipino Personal Remittance*				
Month-end Philippine Stock Exchange Index*	1%	1%	-0.07%	0.08%
Out-of-period Consumer Expectations Survey Quarterly*				
6-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				
<b>Auto MEV</b>				
Annual change of monthly Overseas Filipino personal remittance (in MN USD): Lagged over 3 months*				
Annual change of the quarterly Unemployment Rate: Lagged over 12-month	1%	1%	-0.16%	0.17%
Annual change of value of production index (VAPI) of key manufacturing enterprises by industry (2018 = 100, growth rates in percent for periods indicated): Lagged over 3 months*				
<b>Housing MEV</b>				
3-month lag of the annual change of : (Gross NPL/Total Loans)				
Lagged over 21 months variable of the Consumer Expectations Survey next 12 months (rate)*	1%	1%	0.03%	-0.03%
6-month lag of the annual change of the current prices of the Exports of Goods and Services*				
Foreign Exchange rate: Monthly averages of the Japanese Yen per Philippine Peso lagged over 2-month				
<b>Salary MEV</b>				
A 6-month lag of the quarterly change of the ratio: (Gross NPL/Total Loans)				
Out-of-Pattern variable of the month-end Philippine Stock Exchange Index: Lagged 3 month*	1%	1%	-0.72%	0.77%
Consumer Expectations Survey next 3months (rate)*				
6-month lag of the annual change of the Agriculture, Fishery and Forestry, current prices*				

\*These variables have a negative relationship with default

### Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. The carrying amounts per class of loans and receivables whose terms have been renegotiated are as follows:

	December 31, 2025			
	Stage 1	Stage 2	Stage 3	Total
Term loans	P - P37,500,000	P514,827,933	P552,327,933	
Agri-Agra loans	-	-	313,031,389	313,031,389
Housing loans	20,358,494	641,911	1,342,694	22,343,099
Others	80,145	14,935,612	61,638,610	76,654,367
	<b>P20,438,639</b>	<b>P53,077,523</b>	<b>P890,840,626</b>	<b>P964,356,788</b>

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Term loans	P - P75,000,000	P536,885,114	P611,885,114	
Agri-Agra loans	-	-	131,257,842	131,257,842
Housing loans	25,994,409	468,268	2,374,350	28,837,027
Others	144,261	19,562,213	74,422,558	94,129,032
	<b>P26,138,670</b>	<b>P95,030,481</b>	<b>P744,939,864</b>	<b>P866,109,015</b>

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poor's, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates, as follows:

	December 31, 2025		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P18,056,368,871	P -	P18,056,368,871
Due from other banks	1,584,211,421	521,259,959	2,105,471,380
Interbank loans receivable and SPURA	7,648,540,553	-	7,648,540,553
	27,289,120,845	521,259,959	27,810,380,804
Financial assets at FVPL:			
Government securities held-for-trading	-	5,132,997,906	5,132,997,906
Derivative assets*	-	36,710,038	36,710,038
	-	5,169,707,944	5,169,707,944
Financial assets at FVOCI:			
Government securities**	-	34,793,433,601	34,793,433,601
Equity securities	-	224,876,725	224,876,725
	-	35,018,310,326	35,018,310,326
Investment securities at amortized cost:			
Government securities**	5,288,295,767	34,191,371,976	39,479,667,743
Private debt securities**	17,949,514	1,878,156,348	1,896,105,862
	5,306,245,281	36,069,528,324	41,375,773,605
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,219	291,578,219
	P32,595,366,126	P77,070,384,772	P109,665,750,898

	December 31, 2024		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P47,919,926,114	P -	P47,919,926,114
Due from other banks	3,349,901,986	469,998,869	3,819,900,855
Interbank loans receivable and SPURA	3,587,849,088	-	3,587,849,088
	54,857,677,188	469,998,869	55,327,676,057
Financial assets at FVPL:			
Government securities held-for-trading	-	2,782,360,563	2,782,360,563
Derivative assets*	-	63,717,369	63,717,369
Private debt securities	-	29,555,862	29,555,862
	-	2,875,633,794	2,875,633,794
Financial assets at FVOCI:			
Government securities**	-	19,036,826,434	19,036,826,434
Equity securities	-	41,807,401	41,807,401
	-	19,078,633,835	19,078,633,835
Investment securities at amortized cost:			
Government securities**	-	34,465,484,615	34,465,484,615
Private debt securities**	282,010,734	1,868,421,885	2,150,432,619
	282,010,734	36,333,906,500	36,615,917,234
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,217	291,578,217
	P55,139,687,922	P59,049,751,215	P114,189,439,137

\*Unrated derivatives pertain to warrants

\*\*Accounts are neither past due nor impaired and carried at Stage 1

\*\*\*Accounts are impaired and carried at Stage 3

### *Aging Analysis of Past Due but not Impaired*

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2025 and 2024.

	December 31, 2025			Total
	1 - 30 Days	31 - 60 Days	61 - 90 Days	
Receivable from customers (gross):				
Housing loans	P23,469,104	P170,632,758	P61,605,978	P255,707,840
Auto loans	-	125,214,584	81,169,807	206,384,391
Direct advances	-	3,053,081	-	3,053,081
Others	52,063,070	51,146,731	2,209,160	105,418,961
Sales contract receivables	-	2,594,483	7,844,600	10,439,083
Other receivables*	355,892	29,365,865	18,657,106	48,378,863
	P75,888,066	P382,007,502	P171,486,651	P629,382,219

\* Comprised of accrued interest receivables, accounts receivables, and RCOCI

	December 31, 2024			Total
	1 - 30 Days	31 - 60 Days	61 - 90 Days	
Receivable from customers (gross):				
Housing loans	P468,268	P120,041,750	P54,987,794	P175,497,812
Auto loans	-	53,978,278	17,262,943	71,241,221
Others	52,608,939	31,053,822	4,669,189	88,331,950
Sales contract receivables	-	2,049,430	2,991,661	5,041,091
Other receivables*	2,492	24,000,644	6,797,865	30,801,001
	P53,079,699	P231,123,924	P86,709,452	P370,913,075

\* Comprised of accrued interest receivables, accounts receivables, and RCOCI

### *Impairment Assessment*

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

### Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank generates a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product, counterparty, or industry.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. It also maintains a portfolio of high quality liquid assets (HQLA) that can be converted to cash in a short period of time and with minimal loss incurred. This ensures compliance with Liquidity Coverage Ratio (LCR) as required by Basel III regulations. LCR checks if there is sufficient HQLA to offset short-term net outflows or short-term obligations under stressed conditions. The Bank also expands its sources of stable funds in order to support asset growth and meet the Net Stable Funding Ratio (NSFR) regulatory limit. NSFR ensures that the Bank is not overly reliant on short-term funding in funding its long-term assets. The Bank's liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons. The table below sets forth the Bank's liquidity gap as at December 31, 2025 and 2024 (amounts in millions):

	December 31, 2025								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-maturity	Total
<b>Resources</b>									
Cash and COCI	P3,549	P -	P -	P -	P -	P -	P -	P -	P3,549
Due from BSP	8,979	1,156	1,691	1,404	397	318	3	4,106	18,054
Due from other banks	4,087	-	-	-	-	-	-	19	4,106
Interbank loans receivable	5,647	-	-	-	-	-	-	-	5,647
Financial assets at FVPL	436	389	1,212	1,871	1,225	-	-	37	5,170
Financial assets at FVOCI	185	201	2,351	5,303	26,753	-	-	46	34,839
Investment securities at Amortized Cost (AC)	5,291	4,012	3,900	-	10,553	6,134	10,276	1,261	41,427
Loans - net	4,825	24,516	13,805	14,083	34,835	26,370	36,801	4,664	159,899
Other resources	4,450	1,912	138	27	280	147	524	5,062	12,540
	<b>P37,449</b>	<b>P32,186</b>	<b>P23,097</b>	<b>P22,688</b>	<b>P74,043</b>	<b>P32,969</b>	<b>P47,604</b>	<b>P15,195</b>	<b>P285,231</b>
<b>Liabilities and Equity</b>									
Deposit liabilities:	P60,294	P37,956	P30,151	P4,191	P446	P56	P10	P90,210	P223,314
Demand deposits	11,230	11,649	3,979	1,941	-	-	-	51,274	80,073
Savings deposits	7,341	4,095	424	647	-	-	-	38,936	51,443
Time deposits	41,723	22,212	25,748	1,603	446	56	10	-	91,798
Bonds payable	-	-	-	-	7,993	10,007	-	(119)	17,881
Other liabilities	5,494	238	-	-	284	-	-	3,092	9,108
	<b>65,788</b>	<b>38,194</b>	<b>30,151</b>	<b>4,191</b>	<b>8,723</b>	<b>10,063</b>	<b>10</b>	<b>93,183</b>	<b>250,303</b>
Capital funds	-	-	-	-	-	-	-	34,928	34,928
	<b>P65,788</b>	<b>P38,194</b>	<b>P30,151</b>	<b>P4,191</b>	<b>P8,723</b>	<b>P10,063</b>	<b>P10</b>	<b>P128,111</b>	<b>P285,231</b>
On-book gap	(P28,339)	(P6,008)	(P7,054)	P18,497	P65,320	P22,906	P47,594	(P112,916)	P -
Contingent resources	P1,260	P -	P -	P -	P -	P -	P -	P -	P1,260
Contingent liabilities	10,146	1,729	187	4,111	2,185	-	-	83,261	101,619
Off-book gap	(P8,886)	(P1,729)	(P187)	(P4,111)	(P2,185)	P -	P -	(P83,261)	(P100,359)
Cumulative total gap	(P37,225)	(P7,737)	(P7,241)	P14,386	P63,135	P22,906	P47,594	(P196,177)	(P100,359)

	December 31, 2024								
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-maturity	Total
<b>Resources</b>									
Cash and COCI	P4,244	P -	P -	P -	P -	P -	P -	P -	P4,244
Due from BSP	37,062	1,076	1,896	2,250	268	33	6	5,322	47,913
Due from other banks	7,267	-	-	-	-	-	-	1	7,268
Interbank loans receivable	-	139	-	-	-	-	-	-	139
Financial assets at FVPL	892	459	846	477	138	-	-	64	2,876
Financial assets at FVOCI	283	366	1,674	3,195	13,518	-	-	38	19,074
Investment securities at AC	500	324	264	5,618	14,579	6,021	8,089	1,278	36,673
Loans - net	4,998	24,935	17,388	14,605	25,782	16,980	26,130	2,945	133,763
Other resources	1,438	1,569	113	2	55	168	7	8,612	11,964
	<b>P56,684</b>	<b>P28,868</b>	<b>P22,181</b>	<b>P26,147</b>	<b>P54,340</b>	<b>P23,202</b>	<b>P34,232</b>	<b>P18,260</b>	<b>P263,914</b>
<b>Liabilities and Equity</b>									
Deposit liabilities:	P58,771	P30,779	P31,872	P9,351	P610	P77	P14	P80,534	P212,008
Demand deposits	7,610	7,506	2,048	1,777	-	-	-	45,021	63,962
Savings deposits	5,918	3,773	9	-	-	-	-	35,513	45,213
Time deposits	45,243	19,500	29,815	2,545	610	77	14	-	97,804
Long-term negotiable certificates	-	-	-	5,029	-	-	-	-	5,029
Bonds payable	-	-	-	6,534	-	-	-	-	6,534
Other liabilities	10,752	332	-	-	214	-	-	2,448	13,746
	<b>69,523</b>	<b>31,111</b>	<b>31,872</b>	<b>15,885</b>	<b>824</b>	<b>77</b>	<b>14</b>	<b>82,982</b>	<b>232,288</b>
Capital funds	-	-	-	-	-	-	-	31,626	31,626
	<b>P69,523</b>	<b>P31,111</b>	<b>P31,872</b>	<b>P15,885</b>	<b>P824</b>	<b>P77</b>	<b>P14</b>	<b>P114,608</b>	<b>P263,914</b>
On-book gap	(P12,839)	(P2,243)	(P9,691)	P10,262	P53,516	P23,125	P34,218	(P96,348)	P -
Contingent resources	P3,149	P289	P -	P -	P -	P -	P -	P -	P3,438
Contingent liabilities	12,661	907	125	-	4,505	-	-	90,546	108,744
Off-book gap	(P9,512)	(P618)	(P125)	P -	(P4,505)	P -	P -	(P90,546)	(P105,306)
Cumulative total gap	(P22,351)	(P2,861)	(P9,816)	P10,262	P49,011	P23,125	P34,218	(P186,894)	(P105,306)

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk.

#### *Analysis of Financial Liabilities by Remaining Contractual Maturities*

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2025 and 2024 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2025					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P80,072,538	P -	P -	P -	P -	P80,072,538
Savings	51,493,569	66,082,133	956,140	7,578	-	118,539,420
Time	40,836	23,646,583	1,033,380	207,666	-	24,928,465
Financial liabilities at FVPL	-	2,085	-	-	-	2,085
Bonds payable	-	278,709	848,653	19,802,877	-	20,930,239
Manager's checks	-	1,797,803	-	-	-	1,797,803
Accrued interest and other expenses*	-	887,039	-	-	-	887,039
Lease liabilities	-	44,179	211,871	480,708	25,793	762,551
Other liabilities**	-	3,839,687	887,401	312,044	-	5,039,132
<b>Total Undiscounted Financial Liabilities</b>	<b>P131,606,943</b>	<b>P96,578,218</b>	<b>P3,937,445</b>	<b>P20,810,873</b>	<b>P25,793</b>	<b>P252,959,272</b>

\*amounts exclude accruals of employee and other benefits, taxes payable and rent

\*\*amounts exclude withholding tax payable and ECL on off-balance sheet exposures

	December 31, 2024					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P63,961,972	P -	P -	P -	P -	P63,961,972
Savings	45,216,717	78,786,958	1,210,133	-	-	125,213,808
Time	13,598	16,452,949	1,247,703	290,588	-	18,004,838
Long-term negotiable certificates	-	55,952	5,135,038	-	-	5,190,990
Financial liabilities at FVPL	-	45,214	-	-	-	45,214
Bonds payable	-	106,604	6,841,649	-	-	6,948,253
Manager's checks	-	1,414,092	-	-	-	1,414,092
Accrued interest and other expenses*	-	748,774	-	-	-	748,774
Lease liabilities	-	42,179	189,700	485,855	25,710	743,444
Other liabilities**	-	8,965,335	954,148	301,145	-	10,220,628
<b>Total Undiscounted Financial Liabilities</b>	<b>P109,192,287</b>	<b>P106,618,057</b>	<b>P15,578,371</b>	<b>P1,077,588</b>	<b>P25,710</b>	<b>P232,492,013</b>

\*amounts exclude accruals of employee and other benefits, taxes payable and rent

\*\*amounts exclude withholding tax payable and ECL on off-balance sheet exposures

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2025				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P4,427,078	P2,288,625	P14,107,305	P7,598,077	P28,421,085
Contingent liabilities	65,055,643	2,866,380	1,680,824	3,761,253	73,364,100
	<b>P69,482,721</b>	<b>P5,155,005</b>	<b>P15,788,129</b>	<b>P11,359,330</b>	<b>P101,785,185</b>

	December 31, 2024				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P3,866,333	P1,969,134	P13,043,118	P10,853,800	P29,732,385
Contingent liabilities	69,250,361	6,118,951	159,154	3,313,800	78,842,266
	<b>P73,116,694</b>	<b>P8,088,085</b>	<b>P13,202,272</b>	<b>P14,167,600</b>	<b>P108,574,651</b>

### Interest Rate Risk in the Banking Book

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also generated from holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. Occasionally, the Bank taps interbank loans and other sources of funding to supplement deposits, which are subject to additional interest expense.

The Bank utilizes Funds Transfer Pricing (FTP) as a mechanism to charge the asset businesses for funding (e.g., term loans, housing loans) and to compensate fund raisers (e.g., branch deposits). FTP helps units evaluate profitability and calculate returns upon deal origination. Furthermore, the FTP framework insulates them from interest rate risk. The Central Funding Unit (CFU), under the Treasury Management Group, manages the Bank's overall IRRBB. CFU is the first line of defense for both IRRBB and Liquidity Risk. While the Bank does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it actively manages IRRBB by growing its sources of stable funds to match long-term assets.

The FTP policy is properly documented and is transparent to the fund users and fund providers of the Bank. The FTP interest rates are anchored by widely-used and market-driven benchmark rates such as BVAL and BSP interest rate corridor rates for Peso; USD Secured Overnight Financing Rates and USD-denominated bonds issued by the Philippines for USD. Trends, forecasts, and adjustments to the FTP are discussed and approved in the regular ALCO meeting.

The NII, and ultimately earnings and capital, is vulnerable to adverse fluctuations in interest rates. The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and the impact of interest rate movements on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions, if more applicable.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK monitors the mismatches in the repricing of its assets and liabilities through the interest rate gap reports presented to ALCO and BROCO on a monthly basis. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements.

Non-maturing fixed-rate deposits or current-savings accounts (CASA) are split into three classifications: 1) stable and core deposits; 2) stable-but-non-core deposits and; 3) non-stable deposits. The volatile or non-stable portion of the non-maturing deposits/CASA is slotted in the shortest time-bucket (i.e., less than one month). Stable-but-non-core portion is slotted based on an assumed repricing approximation. Stable-and-core portion is slotted in the 3 to 5-year bucket. The IRRBB model captures the possibility of borrowers prepaying their loans and time deposit customers pre-terminating their investments. The interest rate scenario of the model simulates the impact of interest rate movements on existing loans and deposits. More (less) prepayment is expected if interest rates decline (increase), while more (less) pre-termination is expected if interest rates increase (decrease).

Earnings at risk is simulated on a monthly basis and subject to a limit approved by the Board. The report is also accompanied by stress testing with scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; and 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK, which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The table below sets forth the Bank's interest rate repricing gap as at December 31, 2025 and 2024 (amounts in millions).

	December 31, 2025								Total
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	
<b>Resources</b>									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P3,549	P3,549
Due from BSP	7,519	-	-	-	-	-	-	10,535	18,054
Due from other banks	-	-	-	-	-	-	-	4,106	4,106
Interbank loans receivable	5,647	-	-	-	-	-	-	-	5,647
Financial assets at FVPL	-	-	-	-	-	-	-	5,170	5,170
Financial assets at FVOCI	184	200	2,343	5,285	26,882	-	-	(55)	34,839
Investment securities at AC	5,288	4,029	3,901	-	11,380	6,270	10,861	(302)	41,427
Loans - net	40,964	30,326	13,496	10,893	22,486	16,485	21,167	4,082	159,899
Other resources	153	11	-	-	-	-	-	12,376	12,540
	<b>P59,755</b>	<b>P34,566</b>	<b>P19,740</b>	<b>P16,178</b>	<b>P60,748</b>	<b>P22,755</b>	<b>P32,028</b>	<b>P39,461</b>	<b>P285,231</b>
<b>Liabilities and Equity</b>									
Deposit liabilities:	P104,252	P14,156	P18,380	P625	P143	P85,758	P -	P -	P223,314
Demand deposits	19,820	-	8,979	-	-	51,274	-	-	80,073
Savings deposits	8,646	-	8,360	-	-	34,437	-	-	51,443
Time deposits	75,786	14,156	1,041	625	143	47	-	-	91,798
Bonds payable	-	-	-	-	7,993	10,007	-	(119)	17,881
Other liabilities	-	-	-	-	-	-	-	9,108	9,108
	<b>104,252</b>	<b>14,156</b>	<b>18,380</b>	<b>625</b>	<b>8,136</b>	<b>95,765</b>	<b>-</b>	<b>8,989</b>	<b>250,303</b>
Capital funds	-	-	-	-	-	-	-	34,928	34,928
	<b>P104,252</b>	<b>P14,156</b>	<b>P18,380</b>	<b>P625</b>	<b>P8,136</b>	<b>P95,765</b>	<b>P -</b>	<b>P43,917</b>	<b>P285,231</b>
On-book gap	(P44,497)	P20,410	P1,360	P15,553	P52,612	(P73,010)	P32,028	(P4,456)	P -
Contingent resources	P -	P -	P -	P -	P -	P -	P -	P1,260	P1,260
Contingent liabilities	-	-	-	-	-	-	-	101,619	101,619
Off-book gap	P -	P -	P -	P -	P -	P -	P -	(P100,359)	(P100,359)
Cumulative total gap	(P44,497)	P20,410	P1,360	P15,553	P52,612	(P73,010)	P32,028	(P104,815)	(P100,359)

December 31, 2024									
	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
<b>Resources</b>									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P4,244	P4,244
Due from BSP	34,589	-	-	-	-	-	-	13,324	47,913
Due from other banks	-	-	-	-	-	-	-	7,268	7,268
Interbank loans receivable	-	139	-	-	-	-	-	-	139
Financial assets at FVPL	-	-	-	-	-	-	-	2,876	2,876
Financial assets at FVOCI	288	373	1,703	3,265	13,992	-	-	(547)	19,074
Investment securities at AC	500	324	683	5,750	15,112	6,053	8,589	(338)	36,673
Loans - net	41,408	26,992	14,791	14,712	11,460	17,078	5,020	2,302	133,763
Other resources	216	16	-	-	-	-	-	11,732	11,964
	P77,001	P27,844	P17,177	P23,727	P40,564	P23,131	P13,609	P40,861	P263,914
<b>Liabilities and Equity</b>									
Deposit liabilities:	P96,039	P12,188	P17,208	P5,776	P207	P80,590	P -	P -	P212,008
Demand deposits	11,618	-	7,323	-	-	45,021	-	-	63,962
Savings deposits	1,248	-	8,451	-	-	35,514	-	-	45,213
Time deposits	83,173	12,188	1,434	747	207	55	-	-	97,804
Long-term negotiable certificates	-	-	-	5,029	-	-	-	-	5,029
Bonds payable	-	-	-	6,534	-	-	-	-	6,534
Other liabilities	-	-	-	-	-	-	-	13,746	13,746
	96,039	12,188	17,208	12,310	207	80,590	-	13,746	232,288
Capital funds	-	-	-	-	-	-	-	31,626	31,626
	P96,039	P12,188	P17,208	P12,310	P207	P80,590	P -	P45,372	P263,914
On-book gap	(P19,038)	P15,656	(P31)	P11,417	P40,357	(P57,459)	P13,609	(P4,511)	P -
Contingent resources	P -	P -	P -	P -	P -	P -	P -	P3,438	P3,438
Contingent liabilities	-	-	-	-	-	-	-	108,744	108,744
Off-book gap	P -	P -	P -	P -	P -	P -	P -	(P105,306)	(P105,306)
Cumulative total gap	(P19,038)	P15,656	(P31)	P11,417	P40,357	(P57,459)	P13,609	(P109,817)	(P105,306)

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency, is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

December 31, 2025				
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	200	P336.60	(P530.01)	(P3,288.82)
USD	100	(0.86)	(29.74)	(76.82)
PHP	-200	(336.60)	530.01	3,288.82
USD	-100	0.86	29.74	76.82

December 31, 2024				
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)	Sensitivity of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity of OCI (In Millions)
PHP	200	P201.23	(P218.13)	(P1,553.89)
USD	100	(5.25)	(39.35)	(74.30)
PHP	-200	(201.23)	218.13	1,553.89
USD	-100	5.25	39.35	74.30

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2025 and 2024.

The sensitivity of “Trading and investment securities gains (losses) - net” and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2025 and 2024. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

### Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to two sources of market risk, namely: 1) market price risk in the trading book; and 2) foreign exchange risk from open foreign currency exposures. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first two.

There has been no material change to the Bank’s exposure to market risk or the manner in which it manages and measures the risk.

### *Market Price Risk in the Trading Book*

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, foreign exchange rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank’s RSK simulates the trading book’s VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, monthly and yearly losses.

### *Value-at-Risk Methodology*

VAR serves as the Bank’s key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank’s VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank’s VAR calculations as at December 31, 2025 and 2024.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
<b>2025</b>				
<b>As at December 31, 2025</b>	<b>P10,274,720</b>	<b>P22,819,037</b>	<b>P142,396,521</b>	<b>P175,490,277</b>
Average	3,898,947	28,354,304	126,329,205	158,582,456
Highest	10,290,643	64,371,571	173,024,969	206,653,843
Lowest	202,301	15,889,200	86,267,536	106,692,237
<b>2024</b>				
<b>As at December 31, 2024</b>	<b>P1,055,981</b>	<b>P19,972,845</b>	<b>P96,351,049</b>	<b>P117,379,875</b>
Average	1,802,516	16,829,705	84,843,456	103,396,074
Highest	9,892,421	37,504,367	138,826,273	169,508,195
Lowest	235,676	564,953	38,889,755	39,831,044

### Currency Risk

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

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2025 and 2024. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2025			
	USD	Euro	Others	Total
<b>Assets</b>				
Cash	\$53	\$318	\$1,148	\$1,519
Due from other banks	3,372	234	408	4,014
Financial assets at FVPL	-	5,769	-	5,769
Loans and receivables	1,551	76	-	1,627
Other assets	20,985	-	-	20,985
<b>Total Assets</b>	<b>25,961</b>	<b>6,397</b>	<b>1,556</b>	<b>33,914</b>
<b>Liabilities</b>				
Deposit liabilities	-	597	8	605
Other liabilities	689	56	8	753
<b>Total Liabilities</b>	<b>689</b>	<b>653</b>	<b>16</b>	<b>1,358</b>
<b>Net Exposure</b>	<b>\$25,272</b>	<b>\$5,744</b>	<b>\$1,540</b>	<b>\$32,556</b>
<b>Amount in thousands PHP</b>	<b>P1,485,741</b>	<b>P337,690</b>	<b>P90,537</b>	<b>P1,913,967</b>
	December 31, 2024			
	USD	Euro	Others	Total
<b>Assets</b>				
Cash	\$ -	\$33	\$1,838	\$1,871
Due from other banks	179	407	284	870
Interbank loans	4,699	-	-	4,699
Loans and receivables	1,582	-	-	1,582
<b>Total Assets</b>	<b>6,460</b>	<b>440</b>	<b>2,122</b>	<b>9,022</b>
<b>Liabilities</b>				
Deposit liabilities	-	817	8	825
Other liabilities	1,468	78	16	1,562
<b>Total Liabilities</b>	<b>1,468</b>	<b>895</b>	<b>24</b>	<b>2,387</b>
<b>Net Exposure</b>	<b>\$4,992</b>	<b>(\$455)</b>	<b>\$2,098</b>	<b>\$6,635</b>
<b>Amount in thousands PHP</b>	<b>P288,762</b>	<b>(P26,319)</b>	<b>P121,359</b>	<b>P383,802</b>

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2025 and 2024 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Changes in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
<b>December 31, 2025</b>				
Currency:				
USD	P1.00	(P25.27)	(P1.00)	P25.27
Euro	0.50	(2.87)	(0.50)	2.87
Others	0.40	(0.62)	(0.40)	0.62
<hr/>				
	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2024				
Currency:				
USD	P1.00	(P4.99)	(P1.00)	P4.99
Euro	0.50	0.23	(0.50)	(0.23)
Others	0.40	(0.84)	(0.40)	0.84

Given the nature and amount of the Bank's equity investments portfolio in 2025 and 2024, management believes the Bank's exposure to currency risk is considered minimal.

#### *Equity Price Risk*

Given the nature and amount of the Bank's equity investments portfolio in 2025 and 2024, management believes the Bank's exposure to equity price risk is considered minimal.

## **6. Categories and Fair Value Measurement**

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

*COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA* - Fair values approximate carrying amounts given the short-term nature of the instruments.

*Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost)* - Fair values are generally based on quoted market prices. If not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using discounted cash flow methodology.

*Equity Securities (Financial Assets at FVOCI)* – For quoted securities, fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers. The Bank's unquoted equity securities are classified as Level 3 in the fair value hierarchy. Their fair values are determined using the adjusted net asset value (ANAV) method, which is considered appropriate as the investees' net assets largely represent their fair value.

The ANAV technique uses the most recent financial statements of the investees and adjusts the recorded net assets to reflect the fair values of significant underlying assets and liabilities. Key unobservable inputs include valuation adjustments to reflect the fair value of financial assets and liabilities measured at amortized cost, as well as remeasurement of property and other non-financial assets to reflect their estimated fair values at the measurement date.

*Derivative Instruments (Financial Assets and Financial Liabilities at FVPL)* - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

*Loans and Receivables* - The estimated fair values of long-term receivables from customers and sales contract receivables are equal to the estimated future cash flows expected to be received which are discounted using current market rates i.e., BVAL and USD Secured Overnight Financing Rates (SOFR). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOCI approximates carrying amounts given the short-term nature of the accounts.

*Investment Properties* - Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. Valuations are derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

*Deposit Liabilities* - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD SOFR) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

**Bonds and Bills Payable** - For long-term bonds and bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e., BVAL and USD SOFR) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bonds and bills payable approximate fair value.

**Manager's Checks, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities)** - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to lack of available supportable data.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2025				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>Assets Measured at Fair Value</b>					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Government securities held for trading	P5,132,998	P4,560,287	P572,711	P -	P5,132,998
Derivative assets	36,710	-	36,710	-	36,710
Financial assets at FVOCI:					
Government securities	34,793,434	15,314,787	19,478,647	-	34,793,434
Equity securities	224,877	500	-	224,377	224,877
	P40,188,019	P19,875,574	P20,088,068	P224,377	P40,188,019
<b>Liabilities Measured at Fair Value</b>					
<i>Financial Liabilities</i>					
Derivative liabilities	P2,085	P -	P2,085	P -	P2,085
<b>Assets for which Fair Values are Disclosed</b>					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P39,475,179	P23,056,328	P16,337,158	P -	P39,393,486
Private debt securities	1,895,896	-	1,806,596	-	1,806,596
Loans and receivables:					
Receivables from customers	159,964,965	-	-	161,509,318	161,509,318
Less unearned interest	83,143	-	-	83,143	83,143
	159,881,822	-	-	161,426,175	161,426,175
Sales contract receivables	225,420	-	-	235,932	235,932
	201,478,317	23,056,328	18,143,754	161,662,107	202,862,189
<i>Non-financial Assets</i>					
Investment properties	4,115,809	-	-	11,087,389	11,087,389
	P205,594,126	P23,056,328	P18,143,754	P172,749,496	P213,949,578
<b>Liabilities for which Fair Values are Disclosed</b>					
<i>Financial Liabilities</i>					
Deposit liabilities					
Time	P24,826,278	P -	P24,817,534	P -	P24,817,534
Bonds payable	17,881,001	-	18,077,148	-	18,077,148
	P42,707,279	P -	P42,894,682	P -	P42,894,682

	December 31, 2024				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
<b>Assets Measured at Fair Value</b>					
<i>Financial Assets</i>					
<i>Financial assets at FVPL:</i>					
Government securities held for trading	P2,782,361	P2,240,777	P541,584	P -	P2,782,361
Derivative assets	63,717	-	63,717	-	63,717
Private debt securities	29,556	-	-	29,556	29,556
<i>Financial assets at FVOCI:</i>					
Government securities	19,036,827	4,092,577	14,944,250	-	19,036,827
Equity securities	41,807	2,400	-	39,407	41,807
	P21,954,268	P6,335,754	P15,549,551	P68,963	P21,954,268
<b>Liabilities Measured at Fair Value</b>					
<i>Financial Liabilities</i>					
Derivative liabilities	P45,214	P -	P45,214	P -	P45,214
<b>Assets for which Fair Values are Disclosed</b>					
<i>Financial Assets</i>					
<i>Investment securities at amortized cost:</i>					
Government securities	P34,461,471	P6,544,301	P26,949,415	P -	P33,493,716
Private debt securities	2,150,197	265,575	1,715,331	-	1,980,906
<i>Loans and receivables:</i>					
Receivables from customers	133,829,158	-	-	136,682,790	136,682,790
Less unearned interest	67,358	-	-	67,358	67,358
	133,761,800	-	-	136,615,432	136,615,432
Sales contract receivables	278,434	-	-	291,899	291,899
	170,651,902	6,809,876	28,664,746	136,907,331	172,381,953
<i>Non-financial Assets</i>					
Investment properties	3,992,770	-	-	10,656,631	10,656,631
	P174,644,672	P6,809,876	P28,664,746	P147,563,962	P183,038,584
<b>Liabilities for which Fair Values are Disclosed</b>					
<i>Financial Liabilities</i>					
<i>Deposit liabilities:</i>					
Time	P17,916,073	P -	P17,898,536	P -	P17,898,536
Long-term negotiable certificates	5,029,420	-	5,029,420	-	5,029,420
Bonds payable	6,534,448	-	6,569,750	-	6,569,750
	P29,479,941	P -	P29,497,706	P -	P29,497,706

In 2025 and 2024, due to changes in market conditions for certain government securities measured at FVPL and FVOCI, quoted prices in active markets were not available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and FVOCI, with carrying amounts of P225.7 million and P3.3 billion, respectively, in 2025 and P0.5 million and P4.8 billion, respectively, in 2024 were transferred from Level 1 to Level 2 of the fair value hierarchy.

In 2025, securities at FVPL and FVOCI, with carrying amount of P0.5 million and P4.3 billion, respectively, were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available. In 2024, securities at FVPL and FVOCI, with carrying amount of P141.6 million and P56.6 million, respectively, were transferred from Level 2 to Level 1 of the fair value hierarchy since quoted prices in active markets were already available.

In 2025 and 2024, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. For unquoted equity securities, fair values are estimated using valuation techniques such as the adjusted net asset value method.

The carrying values of the financial assets and liabilities not included in the fair value hierarchy table shown above approximate their respective fair values as at December 31, 2025 and 2024.

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## 7. Segment Reporting

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to SET who is responsible for allocating resources to the segments and assessing their performance. Segment performance is evaluated based on net income before provision/reversal of credit and impairment losses, share in net loss of an associate, and income tax expense. The Bank's business segments follow:

*Treasury Management Group* - principally provides money market, trading and treasury services, as well as management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks.

*Corporate Banking Group* - principally handles loans and other credit facilities for corporate institutional, and middle market clients.

*Branch Banking Group* - principally supervises customers' deposits and offers standard customer transactional services through the branch network.

*Consumer Group* - principally manages home, automobile, and salary loans for individual customers.

*Others* - includes but not limited to Credit Cards, Transaction Banking, Investment Banking, Trust, and Acquired Assets. Other operations of the Bank also include operations and financial control groups.

Segment assets and liabilities comprise operating assets and liabilities, including borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment. Transactions between the business segments are carried out at arm's length. The Bank uses an Internal Funds Transfer Pricing rate to allocate the cost of funds or to recognize internal revenue for deposit takers. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Bank has no significant customers which contributes 10.0% or more of the Bank's revenue net of interest expense. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The segment information of the Bank for the years ended December 31, 2025, 2024 and 2023 for statements of income items, and as at December 31, 2025 and December 31, 2024 for statements of financial position items follow (amounts in millions):

	December 31, 2025					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
<b>Statement of Income</b>						
Net interest income:						
Third party	P2,787	P9,170	(P2,840)	P1,355	P306	P10,778
Intersegment	(2,447)	(7,497)	9,172	(1,061)	1,833	-
Net interest income	340	1,673	6,332	294	2,139	10,778
Non-interest income	348	52	67	96	1,267	1,830
Total revenues	688	1,725	6,399	390	3,406	12,608
Compensation and fringe benefits	29	38	588	86	2,296	3,037
General and administrative expenses	87	20	1,268	48	1,835	3,258
Taxes and licenses	295	423	445	79	(119)	1,123
Total expenses	411	481	2,301	213	4,012	7,418
Income (losses) before provision for credit losses and income tax expense	P277	P1,244	P4,098	P177	(P606)	P5,190
Provision for credit and impairment losses						P382
Share in net loss of an associate						1
Income tax expense						1,267
Net income						P3,540
<b>Other Segment Information</b>						
Capital expenditures	P9	P2	P69	P5	P145	P230
Depreciation and amortization	P5	P5	P108	P8	P691	P817
<b>Statement of Financial Position</b>						
Total assets	P95,200	P142,711	P18,286	P19,251	P11,406	P286,854
Total liabilities	29,466	203	215,464	61	5,081	250,275

	December 31, 2024					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
<b>Statement of Income</b>						
Net interest income:						
Third party	P2,976	P8,060	(P3,209)	P1,100	P184	P9,111
Intersegment	(1,469)	(6,661)	8,449	(824)	505	-
Net interest income	1,507	1,399	5,240	276	689	9,111
Non-interest income	124	42	83	54	1,342	1,645
Total revenues	1,631	1,441	5,323	330	2,031	10,756
Compensation and fringe benefits	24	35	572	73	1,934	2,638
General and administrative expenses	74	19	1,217	46	1,584	2,940
Taxes and licenses	206	348	455	63	23	1,095
Total expenses	304	402	2,244	182	3,541	6,673
Income (losses) before provision for credit losses and income tax expense	P1,327	P1,039	P3,079	P148	(P1,510)	P4,083
Provision for credit and impairment losses						P139
Share in net loss of an associate						1
Income tax expense						918
Net income						P3,025
<b>Other Segment Information</b>						
Capital expenditures	P3	P6	P67	P8	P292	P376
Depreciation and amortization	P4	P4	P86	P8	P617	P719

	December 31, 2024					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Financial Position						
Total assets	P96,833	P121,696	P21,561	P15,249	P10,101	P265,440
Total liabilities	9,284	353	211,233	160	11,180	232,210
	December 31, 2023					Total
	Treasury Management Group	Corporate Banking Group	Branch Banking Group	Consumer Group	Others	
Statement of Income						
Net interest income:						
Third party	P2,908	P7,049	(P2,707)	P958	P88	P8,296
Intersegment	(2,269)	(5,723)	7,021	(662)	1,633	-
Net interest income	639	1,326	4,314	296	1,721	8,296
Non-interest income	140	73	96	52	1,318	1,679
Total revenues	779	1,399	4,410	348	3,039	9,975
Compensation and fringe benefits	23	33	668	77	1,468	2,269
General and administrative expenses	137	17	1,078	47	1,548	2,827
Taxes and licenses	197	314	425	60	67	1,063
Total expenses	357	364	2,171	184	3,083	6,159
Income (losses) before provision for credit losses and income tax expense	P422	P1,035	P2,239	P164	(P44)	P3,816
Provision for credit and impairment losses						P79
Share in net loss of an associate						1
Income tax expense						934
Net income						P2,802
Other Segment Information						
Capital expenditures	P6	P8	P156	P3	P226	P399
Depreciation and amortization	P4	P4	P59	P7	P492	P566

Non-Interest income consists of trading and investment securities gains (losses), service charges, fees and commissions, foreign exchange gains, gain on foreclosure, and sale of property and equipment and foreclosed assets and miscellaneous income.

Other expenses consist of compensation and fringe benefits, taxes and licenses, rent and utilities, depreciation and amortization, insurance, service fees and commissions, subscription fees, entertainment and recreation, management and professional fees, amortization of software costs and miscellaneous expense.

## 8. Interbank Loans Receivable and Securities Purchased under Resale Agreements

This account consists of:

	Note	2025	2024
SPURA		<b>P5,500,000,000</b>	P -
Interbank loans receivable		<b>2,148,540,553</b>	3,587,849,088
		<b>7,648,540,553</b>	3,587,849,088
Less allowance for credit losses	17	<b>1,032,553</b>	484,360
		<b>P7,647,508,000</b>	P3,587,364,728

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interbank loans receivable consists of overnight lending placements and short-term loans with original maturities of three months or less from the date of placement granted to other banks.

Interest income on SPURA and interbank loans receivable follows:

	2025	2024	2023
SPURA	<b>P441,173,712</b>	P430,247,101	P746,318,560
Interbank loans receivable	<b>111,885,871</b>	111,800,877	129,387,516
	<b>P553,059,583</b>	P542,047,978	P875,706,076

SPURA bears interest rates ranging from 4.5% to 6.0% in 2025, from 5.9% to 6.7% in 2024, and from 5.5% to 6.4% in 2023.

Peso-denominated interbank loans receivable bear interest rates ranging from 4.8% to 6.0% in 2025, from 5.8% to 6.6% in 2024, and from 5.5% to 6.5% in 2023. Dollar-denominated interbank loans receivable bear interest rates ranging from 1.8% to 4.7%, from 4.2% to 5.8%, and from 3.0% to 5.6% in 2025, 2024 and 2023, respectively.

## 9. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2025	2024
Government securities	<b>P5,132,997,906</b>	P2,782,360,563
Derivative assets	<b>36,710,038</b>	63,717,369
Private debt securities	-	29,555,862
	<b>P5,169,707,944</b>	P2,875,633,794

Private debt securities pertain to investment in MRT III bonds that do not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2025, 2024, and 2023, financial assets at FVPL are adjusted for unrealized gain of P65.0 million, unrealized loss of (P1.0 million) and unrealized gain of P22.8 million, respectively (see Note 28).

### Derivative Financial Instruments

This includes warrants amounting to \$0.05 million acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

Forward swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future. As at December 31, 2025, these pertain to 4 contracts with notional amount of \$5.0 million each, one contract with notional amount of \$10.0 million and two contracts with notional amount of €2.5 million each. As at December 31, 2024, these pertain to 13 contracts with notional amount of \$5.0 million each and three contracts with notional amount of \$10.0 million each.

The table in the succeeding page shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount. The notional amount is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amount indicates the volume of transactions outstanding as at December 31, 2025 and 2024 and is not indicative of either market risk or credit risk.

	December 31, 2025		December 31, 2024	
	Derivative Assets	Notional Amount	Derivative Assets	Notional Amount
Freestanding derivatives:				
Warrants	P29,395,000	\$50,000	P28,922,500	\$50,000
Forwards	7,315,038	20,000,000	34,794,869	50,000,000
	<b>P36,710,038</b>	<b>\$20,050,000</b>	P63,717,369	\$50,050,000

	December 31, 2025		December 31, 2024	
	Derivative Liabilities	Notional Amount	Derivative Liabilities	Notional Amount
Freestanding derivatives:				
Forwards	P1,971,325	\$10,000,000	P45,214,075	\$45,000,000
Forwards	114,141	€5,000,000	-	-
	<b>P2,085,466</b>		P45,214,075	\$45,000,000

## 10. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	2025	2024
Government securities	<b>P34,793,433,601</b>	P19,036,826,434
Equity securities	<b>224,876,725</b>	41,807,401
	<b>P35,018,310,326</b>	P19,078,633,835

As at December 31, 2025 and 2024, the ECL allowance on debt securities at FVOCI included under “Net unrealized losses on financial assets at FVOCI” amounted to P3.2 million and P1.9 million, respectively (see Note 17).

### *Equity Securities*

This account consists of ordinary shares from a foreign financial institution, non-marketable equity securities and club shares. The Bank has designated these equity securities at FVOCI as these are held for medium or long-term strategic investments rather than for trading.

Equity securities include the Bank’s 3.07% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. The carrying amount of the equity securities amounted to P106.1 million and P19.1 million as at December 31, 2025 and 2024, respectively. Dividend income received from BANGE in 2025, 2024, and 2023 amounted to P2.7 million, P2.5 million and P4.0 million, respectively, booked under “Miscellaneous Income” in the statements of income (see Note 31).

In 2025, 2024, and 2023, the Bank disposed of equity shares with carrying value of P3.7 million, P98.7 million, and P0.9 million, respectively, and transferred to “Retained earnings” account the realized gain of P15.3 million, P82.3 million, and P7.5 million in 2025, 2024, and 2023, respectively, in order to achieve the Bank’s strategy to derecognize from the books equity shares that were no longer in use.

Dividend income from equity securities at FVOCI amounted to P2.7 million, P3.9 million, and P5.6 million in 2025, 2024, and 2023, respectively, booked under “Miscellaneous Income” in Statements of Income (see Note 31).

### Net Unrealized Gains (Losses) on Financial Assets at FVOCI

The movements of net unrealized gains (losses) on financial assets at FVOCI follow:

	<b>Note</b>	<b>2025</b>	2024	2023
Balance at beginning of year		<b>(P534,761,685)</b>	(P421,192,531)	(P730,966,925)
Net unrealized gains (losses) recognized as OCI		<b>801,574,327</b>	(29,535,641)	324,174,117
Effect of tax	32	<b>(136,437,696)</b>	(946,234)	(363,597)
Realized gains taken to profit or loss	28	<b>(16,457,282)</b>	(1,623,076)	(6,964,361)
ECL on debt securities at FVOCI	17	<b>1,254,079</b>	838,797	455,690
Net change in unrealized gains (losses) recorded in OCI		<b>649,933,428</b>	(31,266,154)	317,301,849
Realized gains taken to retained earnings		<b>(15,282,401)</b>	(82,303,000)	(7,527,455)
Balance at end of year		<b>P99,889,342</b>	(P534,761,685)	(P421,192,531)

### **11. Investment Securities at Amortized Cost**

This account consists of:

	<b>Note</b>	<b>2025</b>	2024
Government securities		<b>P39,479,667,743</b>	P34,465,484,615
Private debt securities	33	<b>1,896,105,862</b>	2,150,432,619
		<b>41,375,773,605</b>	36,615,917,234
Less allowance for credit losses	17	<b>4,698,688</b>	4,248,853
		<b>P41,371,074,917</b>	P36,611,668,381

No investment securities at amortized cost were sold in 2025, 2024 and 2023.

## 12. Loans and Receivables

This account consists of:

	<i>Note</i>	2025	2024
Receivables from customers:			
Term loans		<b>P124,556,652,487</b>	P102,819,507,055
Agri-agra loans		<b>13,596,027,710</b>	13,757,055,407
Housing loans		<b>12,283,490,731</b>	9,564,719,568
Auto loans		<b>6,335,496,146</b>	5,079,022,446
Bills purchased, import bills and trust receipts	22	<b>1,543,834,876</b>	1,227,464,415
Direct advances		<b>364,480,041</b>	364,009,899
Others		<b>3,127,426,049</b>	2,668,785,562
		<b>161,807,408,040</b>	135,480,564,352
Less unearned interest income		<b>83,143,147</b>	67,358,184
		<b>161,724,264,893</b>	135,413,206,168
Accrued interest receivable:			
Loans and receivables		<b>1,222,141,660</b>	1,065,846,459
Trading and investment securities		<b>955,491,708</b>	665,093,026
Interbank loans receivable and SPURA		<b>2,224,577</b>	2,181,497
Due from BSP and other banks		<b>1,813,333</b>	20,766,667
Accounts receivable		<b>1,452,597,335</b>	1,573,836,315
Unquoted debt securities		<b>291,578,219</b>	291,578,217
Sales contract receivables		<b>281,310,365</b>	334,864,748
RCOCI		<b>3,337,849</b>	5,152,412
		<b>165,934,759,939</b>	139,372,525,509
Less allowance for credit losses	17	<b>3,115,455,239</b>	2,867,185,128
		<b>P162,819,304,700</b>	P136,505,340,381

Bills purchased, import bills and trust receipts include bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" in the statements of financial position amounting to P1.5 billion and P0.8 billion as at December 31, 2025 and 2024, respectively (see Notes 22 and 33). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under "Investment properties" accounts.

In 2020, the Bank granted reliefs under the Bayanihan Acts during the COVID-19 period, resulting in non-substantial modifications of contractual cash flows. The Bank recognized related accretion in interest income on these modified loans amounting to P1.6 million, P2.4 million, and P3.4 million in 2025, 2024, and 2023, respectively.

#### Interest Income on Loans and Receivables

This account consists of:

	2025	2024	2023
Receivables from customers:			
Term loans	<b>P8,135,209,931</b>	P6,855,178,084	P6,145,776,140
Agri-agra loans	<b>953,314,815</b>	1,117,870,332	817,533,328
Housing loans	<b>788,335,878</b>	640,753,034	566,980,066
Auto loans	<b>469,255,291</b>	361,304,335	297,279,192
Bills purchased, import bills and trust receipts	<b>15,939,870</b>	6,355,704	1,704,583
Direct advances	<b>12,824,904</b>	14,761,046	18,960,417
Others	<b>437,427,849</b>	407,824,691	371,451,465
	<b>10,812,308,538</b>	9,404,047,226	8,219,685,191
Sales contract receivable	<b>21,403,439</b>	24,489,114	24,987,312
	<b>P10,833,711,977</b>	P9,428,536,340	P8,244,672,503

\*Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.

As at December 31, 2025, 2024, and 2023, 37.6%, 63.5%, and 60.3%, respectively, of the total receivables from customers were subject to periodic interest repricing.

Peso-denominated loans earn annual fixed interest rates ranging from 2.8% to 26.3% in 2025, from 2.8% to 28.8% in 2024, and from 2.5% to 28.8% in 2023. Dollar-denominated loans earn annual fixed interest rates ranging from 3.5% to 8.8% in 2025 and 2024, and 3.5% to 9.8% in 2023.

Sales contract receivables bear fixed interest rates ranging from 5.3% to 11.6% in 2025, 2024, and 2023.

### **13. Investment in an Associate**

The movements in Bank's equity investment in BIC follow:

	Note	2025	2024	2023
Acquisition cost (24.26%-owned)		<b>P75,395,200</b>	P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:				
Balance at beginning of year		<b>(35,036,909)</b>	(33,935,650)	(29,946,787)
Share in net loss		<b>(841,298)</b>	(610,815)	(782,580)
Share in other comprehensive loss		<b>(169,941)</b>	(490,444)	(3,206,283)
Balance at end of year		<b>(36,048,148)</b>	(35,036,909)	(33,935,650)
Allowance for impairment loss	17	<b>(5,925,786)</b>	(5,925,786)	(5,925,786)
	33	<b>P33,421,266</b>	P34,432,505	P35,533,764

The following table shows the summarized financial information of BIC:

	2025**	2024*	2023*
Assets	<b>P144,743,742</b>	P147,818,995	P151,989,247
Liabilities	<b>8,422,060</b>	8,096,648	7,930,965
Net assets	<b>136,321,682</b>	139,722,347	144,058,282
Revenues	<b>1,665,625</b>	1,358,955	1,128,538
Net loss for the year	<b>(3,467,839)</b>	(3,628,227)	(3,660,176)
Other comprehensive income (loss)	<b>67,175</b>	(707,709)	(2,128,441)
Total comprehensive loss	<b>(3,400,664)</b>	(4,335,936)	(5,788,617)

\* Based on 2023 and 2024 audited financial statements

\*\* Based on 2025 unaudited financial information

As at December 31, 2025 and 2024, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

#### 14. Property, Equipment and Right-of-Use Assets

The movements in property and equipment and right-of-use assets follow:

Note	December 31, 2025						Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)		
<b>Cost</b>							
Balance at January 1	P41,569,630	P916,058,743	P1,900,252,411	P967,274,612	P1,189,058,500	P5,014,213,896	
Additions	-	19,835,052	256,837,320	43,855,007	259,651,210	580,178,589	
Disposals	-	-	(257,920,231)	-	(215,684,283)	(473,604,514)	
<b>Balance at December 31</b>	<b>41,569,630</b>	<b>935,893,795</b>	<b>1,899,169,500</b>	<b>1,011,129,619</b>	<b>1,233,025,427</b>	<b>5,120,787,971</b>	
<b>Less Accumulated Depreciation and Amortization</b>							
Balance at January 1	-	337,136,916	1,217,609,920	877,836,382	576,268,178	3,008,851,396	
Depreciation and amortization	-	26,311,166	207,580,624	42,618,012	236,453,434	512,963,236	
Disposals	-	-	(207,863,103)	-	(215,149,248)	(423,012,351)	
<b>Balance at December 31</b>	<b>-</b>	<b>363,448,082</b>	<b>1,217,327,441</b>	<b>920,454,394</b>	<b>597,572,364</b>	<b>3,098,802,281</b>	
Allowance for impairment losses	17	5,022,885	239,593	-	-	5,262,478	
<b>Net Book Value at December 31</b>	<b>P36,546,745</b>	<b>P572,206,120</b>	<b>P681,842,059</b>	<b>P90,675,225</b>	<b>P635,453,063</b>	<b>P2,016,723,212</b>	

Note	December 31, 2024						Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)		
<b>Cost</b>							
Balance at January 1	P41,569,630	P901,766,207	P1,918,604,702	P911,431,842	P1,136,772,123	P4,910,144,504	
Additions	-	14,292,536	376,145,793	55,842,770	282,902,827	729,183,926	
Reclassification	16	-	739,187	-	-	739,187	
Disposals	-	-	(395,237,271)	-	(230,616,450)	(625,853,721)	
<b>Balance at December 31</b>	<b>41,569,630</b>	<b>916,058,743</b>	<b>1,900,252,411</b>	<b>967,274,612</b>	<b>1,189,058,500</b>	<b>5,014,213,896</b>	
<b>Less Accumulated Depreciation and Amortization</b>							
Balance at January 1	-	311,880,204	1,367,954,198	843,074,600	590,777,074	3,113,686,076	
Depreciation and amortization	-	25,256,712	201,598,668	34,761,782	214,740,831	476,357,993	
Disposals	-	-	(351,942,946)	-	(229,249,727)	(581,192,673)	
<b>Balance at December 31</b>	<b>-</b>	<b>337,136,916</b>	<b>1,217,609,920</b>	<b>877,836,382</b>	<b>576,268,178</b>	<b>3,008,851,396</b>	
Allowance for impairment losses	17	5,022,885	239,593	-	-	5,262,478	
<b>Net Book Value at December 31</b>	<b>P36,546,745</b>	<b>P578,682,234</b>	<b>P682,642,491</b>	<b>P89,438,230</b>	<b>P612,790,322</b>	<b>P2,000,100,022</b>	

Note	December 31, 2023					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 30)	
<b>Cost</b>						
Balance at January 1	P41,569,630	P875,749,388	P1,628,976,165	P869,866,640	P1,035,535,118	P4,451,696,941
Additions	-	26,016,819	398,797,324	41,565,202	313,175,775	779,555,120
Disposals	-	-	(109,168,787)	-	(211,938,770)	(321,107,557)
<b>Balance at December 31</b>	<b>41,569,630</b>	<b>901,766,207</b>	<b>1,918,604,702</b>	<b>911,431,842</b>	<b>1,136,772,123</b>	<b>4,910,144,504</b>
<b>Less Accumulated Depreciation and Amortization</b>						
Balance at January 1	-	288,710,154	1,308,085,343	821,224,328	602,102,604	3,020,122,429
Depreciation and amortization	-	23,170,050	120,668,429	21,850,272	200,613,240	366,301,991
Disposals	-	-	(60,799,574)	-	(211,938,770)	(272,738,344)
<b>Balance at December 31</b>	<b>-</b>	<b>311,880,204</b>	<b>1,367,954,198</b>	<b>843,074,600</b>	<b>590,777,074</b>	<b>3,113,686,076</b>
Allowance for impairment losses	17	5,022,885	239,593	-	-	5,262,478
<b>Net Book Value at December 31</b>	<b>P36,546,745</b>	<b>P589,646,410</b>	<b>P550,650,504</b>	<b>P68,357,242</b>	<b>P545,995,049</b>	<b>P1,791,195,950</b>

In 2025, 2024 and 2023, the net gains on sale of property and equipment included under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.8 million, P0.6 million and P0.9 million, respectively.

As at December 31, 2025 and 2024, the cost of fully depreciated property and equipment still in use amounted to P1.6 billion and P1.7 billion, respectively.

## 15. Investment Properties

The movements in investment properties follow:

Note	December 31, 2025		
	Land	Buildings	Total
Balance at January 1	<b>P3,317,361,448</b>	<b>P1,839,539,046</b>	<b>P5,156,900,494</b>
Additions	<b>197,932,502</b>	<b>327,186,355</b>	<b>525,118,857</b>
Disposals	<b>(149,702,267)</b>	<b>(295,446,330)</b>	<b>(445,148,597)</b>
<b>Balance at December 31</b>	<b>3,365,591,683</b>	<b>1,871,279,071</b>	<b>5,236,870,754</b>
<b>Less Accumulated Depreciation</b>			
Balance at January 1	-	<b>972,800,408</b>	<b>972,800,408</b>
Depreciation	-	<b>122,978,687</b>	<b>122,978,687</b>
Disposal	-	<b>(168,852,085)</b>	<b>(168,852,085)</b>
<b>Balance at December 31</b>	<b>-</b>	<b>926,927,010</b>	<b>926,927,010</b>
<b>Less Allowance for Impairment Losses</b>	17	<b>187,279,626</b>	<b>194,134,436</b>
		<b>P3,178,312,057</b>	<b>P937,497,251</b>
			<b>P4,115,809,308</b>

Note	December 31, 2024		
	Land	Buildings	Total
Balance at January 1	P3,404,733,373	P1,397,867,451	P4,802,600,824
Additions	30,560,377	472,491,298	503,051,675
Disposals	(111,002,630)	(30,819,703)	(141,822,333)
Write-off	(6,929,672)	-	(6,929,672)
<b>Balance at December 31</b>	<b>3,317,361,448</b>	<b>1,839,539,046</b>	<b>5,156,900,494</b>
<b>Less Accumulated Depreciation</b>			
Balance at January 1	-	876,516,450	876,516,450
Depreciation	-	116,089,583	116,089,583
Disposal	-	(19,805,625)	(19,805,625)
Write-off	-	-	-
<b>Balance at December 31</b>	<b>-</b>	<b>972,800,408</b>	<b>972,800,408</b>
<b>Less Allowance for Impairment Losses</b>	17	<b>186,597,978</b>	<b>191,329,926</b>
		<b>P3,130,763,470</b>	<b>P862,006,690</b>
			<b>P3,992,770,160</b>

	Note	December 31, 2023		
		Land	Buildings	Total
Balance at January 1		P3,194,101,578	P1,232,705,893	P4,426,807,471
Additions		358,235,659	230,367,748	588,603,407
Disposals		(137,068,053)	(63,508,658)	(200,576,711)
Write-off		(10,535,811)	(1,697,532)	(12,233,343)
Balance at December 31		3,404,733,373	1,397,867,451	4,802,600,824
Less Accumulated Depreciation				
Balance at January 1		-	824,917,030	824,917,030
Depreciation		-	103,128,616	103,128,616
Disposal		-	(49,972,740)	(49,972,740)
Write-off		-	(1,556,456)	(1,556,456)
Balance at December 31		-	876,516,450	876,516,450
Less Allowance for Impairment				
Losses	17	245,057,307	4,900,569	249,957,876
		P3,159,676,066	P516,450,432	P3,676,126,498

As at December 31, 2025 and 2024, the aggregate market value of investment properties amounted to P11.1 billion and P10.7 billion, respectively. Information about the fair value measurement of investment properties is presented in Note 6.

Gain on foreclosure and sale of investment properties included under “Gains on foreclosure and sale of property and equipment and foreclosed assets - net” consists of the following:

	2025	2024	2023
Gain on assets sold	<b>P285,174,378</b>	P149,917,862	P196,428,853
Gain on foreclosure	<b>101,135,338</b>	173,000,899	284,652,924
	<b>P386,309,716</b>	P322,918,761	P481,081,777

In 2025, rental income on investment properties (included in “Miscellaneous income” account in the statements of income) amounted P0.9 million (see Note 31). No rental income on investment properties was received in 2024 and 2023.

No direct operating expenses on investment properties that generated rental income were incurred in 2025, 2024 and 2023. Direct operating expenses on investment properties such as security and insurance expenses, included under “Rent and utilities” account, litigation expenses, included under “Litigation and acquired assets-related expenses” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2025, 2024, and 2023 amounted to P111.2 million, P104.3 million, and P83.7 million, respectively (see Note 31).

## 16. Other Assets

This account consists of:

	Note	2025	2024
Miscellaneous assets - TRB	34	<b>P4,348,088,462</b>	P4,348,088,462
Creditable withholding tax		<b>2,852,106,815</b>	2,507,941,075
Intangible assets*		<b>587,466,559</b>	501,929,014
Retirement assets	29	<b>336,634,990</b>	427,290,277
Sinking fund	24	<b>312,044,149</b>	301,145,218
Prepaid expenses		<b>227,282,167</b>	236,300,582
Documentary stamps		<b>153,721,807</b>	166,665,788
Other properties acquired*		<b>69,864,118</b>	66,500,954
Others		<b>234,173,242</b>	212,297,920
		<b>9,121,382,309</b>	8,768,159,290
Less allowance for impairment losses	17	<b>4,438,080,118</b>	4,438,022,445
		<b>P4,683,302,191</b>	P4,330,136,845

\*net of accumulated amortization/depreciation, gross of allowance for impairment losses

### Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.3 billion as at December 31, 2025 and 2024 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS Accounting Standards, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2025 and 2024, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2022, the Bank recognized P1.3 billion provisions for prudential reporting to BSP to fully recognize the impairment losses on the NPAs.

### Intangible Assets

Intangible assets consist of:

	2025	2024
Software costs*	<b>P527,466,559</b>	P441,929,014
Branch licenses	<b>60,000,000</b>	60,000,000
	<b>P587,466,559</b>	P501,929,014

\*net of accumulated amortization

Movements in software costs follow:

	2025	2024	2023
<b>Cost</b>			
Balance at January 1	P1,303,017,961	P1,074,904,202	P1,027,748,294
Additions	230,358,709	228,113,759	149,908,692
Write-off	-	-	(102,752,784)
<b>Balance at end of year</b>	<b>1,533,376,670</b>	1,303,017,961	1,074,904,202
<b>Less Accumulated Amortization</b>			
Balance at January 1	861,088,947	765,491,126	701,223,986
Amortization for the year	144,821,164	95,597,821	76,741,228
Write-off	-	-	(12,474,088)
<b>Balance at end of year</b>	<b>1,005,910,111</b>	861,088,947	765,491,126
<b>Net Book Value</b>	<b>P527,466,559</b>	P441,929,014	P309,413,076

#### Other Properties Acquired

Movements in the other properties acquired follow:

	Note	2025	2024	2023
<b>Cost</b>				
Balance at January 1		P204,855,558	P283,409,284	P245,108,000
Additions		80,866,000	71,813,000	86,927,784
Disposals		(78,648,558)	(148,067,726)	(48,626,500)
Reclassification	14	-	(2,299,000)	-
<b>Balance at end of year</b>		<b>207,073,000</b>	204,855,558	283,409,284
<b>Less Accumulated Depreciation</b>				
Balance at January 1		138,354,604	209,915,332	201,981,840
Depreciation for the year		36,637,618	30,719,655	19,948,439
Disposals		(37,783,340)	(100,872,272)	(12,014,947)
Reclassification	14	-	(1,408,111)	-
<b>Balance at end of year</b>		<b>137,208,882</b>	138,354,604	209,915,332
<b>Net Book Value</b>		<b>P69,864,118</b>	P66,500,954	P73,493,952

In 2025, 2024 and 2023, gain on foreclosure amounted to P1.5 million, P3.6 million and P4.7 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P13.8 million, P14.4 million, and P8.7 million in 2025, 2024 and 2023, respectively.

Others include security deposit, unused supplies and forms and petty cash fund.

## 17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2025, 2024 and 2023 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

	December 31, 2025					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2025	P6,469	P516	P484	P1,929	P4,249	P13,647
Provision for (reversal of) credit and impairment losses for the year	(4,031)	(234)	544	1,253	428	(2,040)
Foreign exchange differences	-	2	5	1	22	30
ECL allowance, December 31, 2025	P2,438	P284	P1,033	P3,183	P4,699	P11,637

	December 31, 2024					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2024	P3,277	P142	P2,715	P1,090	P6,209	13,433
Provision for (reversal of) credit and impairment losses for the year	3,192	366	(2,245)	836	(1,977)	172
Foreign exchange differences	-	8	14	3	17	42
ECL allowance, December 31, 2024	P6,469	P516	P484	P1,929	P4,249	P13,647

	December 31, 2023					Total
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)	
ECL allowance, January 1, 2023	P3,197	P141	P2,481	P634	P6,069	P12,522
Provision for (reversal of) credit and impairment losses for the year	80	2	238	456	145	921
Foreign exchange differences	-	(1)	(4)	-	(5)	(10)
ECL allowance, December 31, 2023	P3,277	P142	P2,715	P1,090	P6,209	P13,433

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2025, 2024 and 2023.

The ECL allowance on financial assets at FVOCI is included in the “Net unrealized gains (losses) on financial assets at FVOCI” account in the statements of financial position (see Note 10).

As at December 31, 2025 and 2024, ECL on off-balance sheet exposures amounted to P25.1 million and P45.8 million, respectively (see Note 22). In 2025, 2024 and 2023, the Bank recognized provision for (reversal of) ECL on loan commitment and financial guarantees amounting to (P20.8 million), P22.1 million, and (P10.0 million), respectively.

In 2025 and 2024, the Bank recognized a reversal of allowance for credit losses on loans and receivables amounting to P656.6 million and P10.8 million, respectively, which is included under “Provision for credit and impairment losses” account in the statements of income, as a result of the recalibration of its existing ECL framework to incorporate the most recent data and developments in the macroeconomic environment of the Bank (see Notes 3 and 4). The amount of the effect in future periods is not disclosed because estimating the impact is impracticable.

The tables below and in the succeeding pages summarize the movements in ECL allowances on loans and receivables in 2025, 2024 and 2023 (amounts in thousands).

	December 31, 2025										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
<b>Stage 1</b>											
ECL Loans, January 1, 2025	P288,888	P3,579	P7,850	P3,825	P106	P43,368	P59,441	P407,057	P2,389	P11,654	P421,100
Provision for credit and impairment losses	(1,049)	13,171	40,356	8,929	9,946	220,892	11,521	303,766	(395)	7,249	310,620
Transfer from Stage 1	(151,236)	(12,861)	(42,832)	(10,877)	(9,970)	(251,371)	(3,505)	(482,652)	(267)	(10,415)	(493,334)
Transfer from Stage 2	-	69	50	-	-	-	11	130	4	2	136
Transfer from Stage 3	-	17	-	-	-	-	3	20	5	-	25
Foreign exchange differences	134	-	-	-	-	(77)	28	85	-	(1)	84
	136,737	3,975	5,424	1,877	82	12,812	67,499	228,406	1,736	8,489	238,631
<b>Stage 2</b>											
ECL Loans, January 1, 2025	103,798	7,604	7,420	-	37	4,901	18,306	142,066	55	26,454	168,575
Provision for credit and impairment losses	(59,239)	(2,728)	(3,623)	-	(37)	(8,798)	3,968	(70,457)	(30)	16,288	(54,199)
Transfer from Stage 1	145,558	7,361	13,843	-	30	178,662	404	345,858	98	3,421	349,377
Transfer from Stage 2	-	(3,291)	(3,209)	-	-	-	(883)	(7,383)	(23)	(3,665)	(11,071)
Transfer from Stage 3	-	40	-	-	-	-	11	51	4	2	57
Foreign exchange differences	-	-	-	-	-	3,897	3	3,900	-	37	3,937
	190,117	8,986	14,431	-	30	178,662	21,809	414,035	104	42,537	456,676
<b>Stage 3</b>											
ECL Loans, January 1, 2025	304,767	73,501	243,411	45,927	69,569	138,284	226,825	1,102,284	53,986	1,121,240	2,277,510
Provision for credit and impairment losses	10,664	(40,898)	40,546	(629)	-	(7,026)	106,704	109,361	(115)	36,500	145,746
Transfer from Stage 1	5,678	5,500	28,989	10,877	9,940	72,709	3,101	136,794	169	6,994	143,957
Transfer from Stage 2	-	3,222	3,159	-	-	-	872	7,253	19	3,663	10,935
Transfer from Stage 3	-	(57)	-	-	-	-	(14)	(71)	(9)	(2)	(82)
Movement due to foreclosure/settlement	-	(747)	(33,018)	-	-	-	-	(33,765)	-	(3,528)	(37,293)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Foreign exchange differences	981	-	-	740	-	-	50	1,771	-	1,731	3,502
	321,462	40,466	281,060	10,878	79,509	203,967	262,660	1,200,002	54,050	1,166,096	2,420,148
<b>Total</b>											
ECL Loans, January 1, 2025	697,453	84,684	258,681	49,752	69,712	186,553	304,572	1,651,407	56,430	1,159,348	2,867,185
Provision for credit and impairment losses	(49,624)	(30,455)	77,279	8,300	9,909	205,068	122,193	342,670	(540)	60,037	402,167
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(747)	(33,018)	-	-	-	-	(33,765)	-	(3,528)	(37,293)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Foreign exchange differences	1,115	-	-	740	-	3,820	81	5,756	-	1,767	7,523
	P648,316	P53,427	P300,915	P12,755	P79,621	P395,441	P351,968	P1,842,443	P55,890	P1,217,122	P3,115,455

\*Comprised of benefit loans, salary loans and credit cards.

\*\*Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2024

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
<b>Stage 1</b>											
ECL Loans, January 1, 2024	P190,471	P7,863	P3,948	P2,202	P107	P16,849	P39,707	P261,147	P2,825	P5,111	P269,083
Provision for credit and impairment losses	234,684	5,969	16,593	1,623	36	31,006	24,593	314,504	(363)	9,109	323,250
Transfer from Stage 1	(136,965)	(10,510)	(12,750)	-	(37)	(4,901)	(4,988)	(170,151)	(124)	(2,580)	(172,855)
Transfer from Stage 2	-	136	58	-	-	-	26	220	26	4	250
Transfer from Stage 3	-	120	1	-	-	-	1	122	25	1	148
Foreign exchange differences	698	1	-	-	-	414	102	1,215	-	9	1,224
	288,888	3,579	7,850	3,825	106	43,368	59,441	407,057	2,389	11,654	421,100
<b>Stage 2</b>											
ECL Loans, January 1, 2024	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
Provision for credit and impairment losses	(9,137)	(13,084)	(2,547)	-	(29)	(76)	(155)	(25,028)	(18)	4,531	(20,515)
Transfer from Stage 1	85,013	5,542	6,919	-	37	4,901	1,377	103,789	52	1,081	104,922
Transfer from Stage 2	(104,932)	(2,503)	(1,118)	-	-	-	(430)	(108,983)	(35)	(2,786)	(111,804)
Transfer from Stage 3	-	367	44	-	-	-	22	433	4	8	445
Foreign exchange differences	-	-	-	-	-	-	31	31	-	14	45
	103,798	7,604	7,420	-	37	4,901	18,306	142,066	55	26,454	168,575
<b>Stage 3</b>											
ECL Loans, January 1, 2024	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
Provision for credit and impairment losses	(94,399)	(101,281)	20,431	(12,679)	-	(47,424)	76,388	(158,964)	(217)	25,318	(133,863)
Transfer from Stage 1	51,952	4,968	5,831	-	-	-	3,611	66,362	72	1,499	67,933
Transfer from Stage 2	104,932	2,367	1,060	-	-	-	404	108,763	9	2,782	111,554
Transfer from Stage 3	-	(487)	(45)	-	-	-	(23)	(555)	(29)	(9)	(593)
Movement due to foreclosure/settlement	-	(4,523)	(16,409)	-	-	-	-	(20,932)	-	(2,852)	(23,784)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Foreign exchange differences	2,941	117	-	2,259	-	-	134	5,451	-	4,565	10,016
	304,767	73,501	243,411	45,927	69,569	138,284	226,825	1,102,284	53,986	1,121,240	2,277,510
<b>Total</b>											
ECL Loans, January 1, 2024	731,005	197,485	240,613	91,672	121,378	202,633	243,794	1,828,580	57,028	1,134,192	3,019,800
Provision for credit and impairment losses	131,148	(108,396)	34,477	(11,056)	7	(16,494)	100,826	130,512	(598)	38,958	168,872
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	-	(4,523)	(16,409)	-	-	-	-	(20,932)	-	(2,852)	(23,784)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Foreign exchange differences	3,639	118	-	2,259	-	414	267	6,697	-	4,588	11,285
	P697,453	P84,684	P258,681	P49,752	P69,712	P186,553	P304,572	P1,651,407	P56,430	P1,159,348	P2,867,185

\*Comprised of benefit loans, salary loans and credit cards.

\*\*Comprised of accrued interest receivables, accounts receivables and RCOCI

December 31, 2023

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
<b>Stage 1</b>											
ECL Loans, January 1, 2023	P180,639	P18,421	P35,735	P2,958	P120	P5,126	P57,970	P300,969	P2,632	P6,360	P309,961
Provision for credit and impairment losses	41,589	11,126	(25,378)	4,267	16	66,261	(15,519)	82,362	266	777	83,405
Transfer from Stage 1	(31,876)	(22,190)	(6,572)	(5,023)	(29)	(54,499)	(2,743)	(122,932)	(108)	(2,040)	(125,080)
Transfer from Stage 2	214	306	161	-	-	-	15	696	9	12	717
Transfer from Stage 3	-	200	2	-	-	-	3	205	26	3	234
Foreign exchange differences	(95)	-	-	-	-	(39)	(19)	(153)	-	(1)	(154)
	190,471	7,863	3,948	2,202	107	16,849	39,707	261,147	2,825	5,111	269,083
<b>Stage 2</b>											
ECL Loans, January 1, 2023	82,939	9,121	26,246	-	286	6,904	13,361	138,857	39	20,702	159,598
Provision for credit and impairment losses	50,129	(658)	(20,901)	-	(286)	124,381	3,572	156,237	(26)	6,945	163,156
Transfer from Stage 1	-	11,620	3,158	-	29	49	968	15,824	49	527	16,400
Transfer from Stage 2	(214)	(4,525)	(4,489)	-	-	(131,258)	(461)	(140,947)	(12)	(4,610)	(145,569)
Transfer from Stage 3	-	1,724	108	-	-	-	24	1,856	2	44	1,902
Foreign exchange differences	-	-	-	-	-	-	(3)	(3)	-	(2)	(5)
	132,854	17,282	4,122	-	29	76	17,461	171,824	52	23,606	195,482
<b>Stage 3</b>											
ECL Loans, January 1, 2023	465,848	144,276	341,668	88,174	133,007	17,663	612,085	1,802,721	54,298	1,134,017	2,991,036
Provision for credit and impairment losses	(36,546)	20,645	(107,031)	-	-	(17,663)	38,990	(101,605)	(181)	(31,153)	(132,939)
Transfer from Stage 1	31,876	10,570	3,414	5,023	-	54,450	1,775	107,108	59	1,513	108,680
Transfer from Stage 2	-	4,219	4,328	-	-	131,258	446	140,251	3	4,598	144,852
Transfer from Stage 3	-	(1,924)	(110)	-	-	-	(27)	(2,061)	(28)	(47)	(2,136)
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(491)	(24)	-	(351)	-	-	(166)	(1,032)	-	(713)	(1,745)
	407,680	172,340	232,543	89,470	121,242	185,708	186,626	1,395,609	54,151	1,105,475	2,555,235
<b>Total</b>											
ECL Loans, January 1, 2023	729,426	171,818	403,649	91,132	133,413	29,693	683,416	2,242,547	56,969	1,161,079	3,460,595
Provision for credit and impairment losses	55,172	31,113	(153,310)	4,267	(270)	172,979	27,043	136,994	59	(23,431)	113,622
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Movement due to foreclosure/settlement	(9,580)	(5,422)	(9,726)	-	-	-	-	(24,728)	-	(1,340)	(26,068)
Write-off	(43,427)	-	-	(3,376)	(11,765)	-	(466,477)	(525,045)	-	(1,400)	(526,445)
Foreign exchange differences	(586)	(24)	-	(351)	-	(39)	(188)	(1,188)	-	(716)	(1,904)
	P731,005	P197,485	P240,613	P91,672	P121,378	P202,633	P243,794	P1,828,580	P57,028	P1,134,192	P3,019,800

\*Comprised of benefit loans, salary loans and credit cards.

\*\*Comprised of accrued interest receivables, accounts receivables and RCOCI

The table below summarizes the movements in the gross carrying amounts of financial assets, other than loans and receivables, in 2025 and 2024 (amounts in thousands).

	December 31, 2025				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2025	P47,919,926	P3,819,901	P3,587,849	P19,078,634	P36,615,917
New assets purchased or originated	1,325,741,056	-	2,319,386,709	18,913,550	331,986,345
Assets derecognized or repaid	(1,354,541,056)	(7,427)	(2,313,880,195)	(3,579,825)	(327,291,807)
Other movements*	(1,063,557)	(1,707,003)	(1,445,822)	605,951	65,319
<b>Gross carrying amount, December 31, 2025</b>	<b>P18,056,369</b>	<b>P2,105,471</b>	<b>P7,648,541</b>	<b>P35,018,310</b>	<b>P41,375,774</b>

\*Includes movements in outstanding balances and foreign exchange differences

	December 31, 2024				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 8)	Financial Assets at FVOCI (Note 10)	Investment Securities at Amortized Cost (Note 11)
Gross carrying amount, January 1, 2024	P24,275,196	P1,055,497	P20,114,496	P11,043,805	P52,477,313
New assets purchased or originated	1,021,419,244	96,270	3,157,038,787	8,570,288	98,754,644
Assets derecognized or repaid	(992,519,244)	(66,302)	(3,175,007,774)	(306,440)	(114,959,241)
Other movements*	(5,255,270)	2,734,436	1,442,340	(229,019)	343,201
<b>Gross carrying amount, December 31, 2024</b>	<b>P47,919,926</b>	<b>P3,819,901</b>	<b>P3,587,849</b>	<b>P19,078,634</b>	<b>P36,615,917</b>

\*Includes movements in outstanding balances and foreign exchange differences

The tables below and in the succeeding page summarize the movements in the gross carrying amounts on loans and receivables in 2025 and 2024 (amounts in thousands).

	December 31, 2025										
	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
<b>Stage 1</b>											
Gross carrying amount, January 1, 2025	P99,716,247	P9,105,032	P4,668,511	P1,181,537	P292,192	P13,448,614	P2,213,384	P130,625,517	P238,950	P2,446,826	P133,311,293
New assets purchased or originated	71,845,699	4,035,180	2,785,924	1,546,933	229,675	6,523,980	635,855	87,603,246	70,333	1,383,427	89,057,006
Assets derecognized or repaid	(43,765,799)	(255,101)	(328,671)	(1,181,537)	(203,478)	(5,989,936)	(192,268)	(51,916,790)	(13,728)	(1,180,710)	(53,111,228)
Transfer from Stage 1	(2,972,570)	(286,487)	(440,036)	(10,877)	(23,500)	(2,974,299)	(23,855)	(6,731,624)	(26,686)	(232,648)	(6,990,958)
Transfer from Stage 2	-	52,838	10,335	-	-	-	950	64,123	397	761	65,281
Transfer from Stage 3	-	9,832	-	-	-	-	260	10,092	506	151	10,749
Other movements***	(4,640,399)	(898,843)	(1,114,851)	(3,099)	(25,724)	(517,887)	(49,023)	(7,249,826)	(96,162)	232,157	(7,113,831)
	120,183,178	11,762,451	5,581,212	1,532,957	269,165	10,490,472	2,585,303	152,404,738	173,610	2,649,964	155,228,312
<b>Stage 2</b>											
Gross carrying amount, January 1, 2025	2,422,683	175,498	71,241	-	962	170,000	88,332	2,928,716	5,042	48,552	2,982,310
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(1,537,683)	(12,893)	(29,269)	-	(962)	(170,000)	(4,465)	(1,755,272)	(1,550)	(38,387)	(1,795,209)
Transfer from Stage 1	2,947,810	208,918	199,627	-	3,656	2,792,525	15,523	6,168,059	9,837	93,026	6,270,922
Transfer from Stage 2	-	(99,777)	(24,662)	-	-	-	(3,029)	(127,468)	(2,310)	(5,677)	(135,455)
Transfer from Stage 3	-	1,195	-	-	-	-	56	1,251	440	41	1,732
Other movements***	(137,500)	(17,233)	(10,553)	-	-	-	9,002	(156,284)	(1,020)	(1,371)	(158,675)
	3,695,310	255,708	206,384	-	3,656	2,792,525	105,419	7,059,002	10,439	96,184	7,165,625
<b>Stage 3</b>											
Gross carrying amount, January 1, 2025	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	1,129,076	3,078,922
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(4,233)	(126,861)	(41,664)	-	-	(7,027)	(3,961)	(183,746)	(8,752)	(90,547)	(283,045)
Transfer from Stage 1	24,760	77,569	240,409	10,877	19,844	181,774	8,332	563,565	16,849	139,622	720,036
Transfer from Stage 2	-	46,939	14,327	-	-	-	2,079	63,345	1,913	4,916	70,174
Transfer from Stage 3	-	(11,027)	-	-	-	-	(316)	(11,343)	(946)	(192)	(12,481)
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Other movements***	(22,312)	(5,371)	(1,430)	111	-	-	122,358	93,356	(2,676)	664	91,344
	678,164	265,332	545,905	10,878	89,413	313,031	357,802	2,260,525	97,261	1,183,037	3,540,823
<b>Total</b>											
Gross carrying amount, January 1, 2025	102,819,507	9,564,668	5,076,042	1,227,464	362,723	13,756,898	P2,605,904	135,413,206	334,865	3,624,454	139,372,525
New assets purchased or originated	71,845,699	4,035,180	2,785,924	1,546,933	229,675	6,523,980	635,855	87,603,246	70,333	1,383,427	89,057,006
Assets derecognized or repaid	(45,307,715)	(394,855)	(399,604)	(1,181,537)	(204,440)	(6,166,963)	(200,694)	(53,855,808)	(24,030)	(1,309,644)	(55,189,482)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(628)	(55)	(2,027)	(46,037)	-	-	(74,878)	(123,625)	-	(502)	(124,127)
Other movements***	(4,800,211)	(921,447)	(1,126,834)	(2,988)	(25,724)	(517,887)	82,337	(7,312,754)	(99,858)	231,450	(7,181,162)
	P124,556,652	P12,283,491	P6,333,501	P1,543,835	P362,234	P13,596,028	P3,048,524	P161,724,265	P281,310	P3,929,185	P165,934,760

\*Comprised of benefit loans, salary loans and credit cards.

\*\*Comprised of accrued interest receivables, accounts receivables and RCOCI

\*\*\*Includes movements in outstanding balances and foreign exchange differences

December 31, 2024

	Term Loans	Housing Loans	Auto Loans	Bills Purchased, Import Bills and Trust Receipts	Direct Advances	Agri Agra Loans	Others*	Total Receivables from Customers	Sales Contract Receivables	Other Receivables**	Total
<b>Stage 1</b>											
Gross carrying amount, January 1, 2024	P80,214,649	P7,739,774	P3,723,011	P961,229	P452,422	P11,489,607	P1,985,562	P106,566,254	P282,515	P1,640,714	P108,489,483
New assets purchased or originated	59,559,399	2,388,621	2,421,148	355,689	225,095	6,530,101	567,081	72,047,134	94,525	1,357,801	73,499,460
Assets derecognized or repaid	(31,549,209)	(251,313)	(376,513)	(202,562)	(353,032)	(4,020,500)	(183,636)	(36,936,765)	(31,905)	(551,149)	(37,519,819)
Transfer from Stage 1	(2,433,734)	(173,748)	(88,718)	-	(962)	(170,000)	(17,838)	(2,885,000)	(11,858)	(135,818)	(3,032,676)
Transfer from Stage 2	-	77,518	8,490	-	-	-	2,171	88,179	2,542	1,177	91,898
Transfer from Stage 3	-	59,114	165	-	-	-	172	59,451	2,470	478	62,399
Other movements***	(6,074,858)	(734,934)	(1,019,072)	67,181	(31,331)	(380,594)	(140,128)	(8,313,736)	(99,339)	133,623	(8,279,452)
	99,716,247	9,105,032	4,668,511	1,181,537	292,192	13,448,614	2,213,384	130,625,517	238,950	2,446,826	133,311,293
<b>Stage 2</b>											
Gross carrying amount, January 1, 2024	538,543	171,144	46,914	-	1,674	6,231	88,814	853,320	5,171	30,438	888,929
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(1,640)	(17,002)	(17,768)	-	(1,674)	(6,231)	(3,368)	(47,683)	(320)	(20,511)	(68,514)
Transfer from Stage 1	2,346,192	128,081	65,797	-	962	170,000	9,770	2,720,802	4,668	46,932	2,772,402
Transfer from Stage 2	(420,157)	(101,184)	(12,656)	-	-	-	(3,073)	(537,070)	(3,451)	(4,466)	(544,987)
Transfer from Stage 3	-	8,605	298	-	-	-	93	8,996	373	176	9,545
Other movements***	(40,255)	(14,146)	(11,344)	-	-	-	(3,904)	(69,649)	(1,399)	(4,017)	(75,065)
	2,422,683	175,498	71,241	-	962	170,000	88,332	2,928,716	5,042	48,552	2,982,310
<b>Stage 3</b>											
Gross carrying amount, January 1, 2024	443,680	543,309	350,703	89,470	121,242	185,708	253,848	1,987,960	100,875	1,118,730	3,207,565
New assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-
Assets derecognized or repaid	(83,662)	(244,931)	(35,830)	(12,679)	-	-	(1,903)	(379,005)	(13,118)	(65,917)	(458,040)
Transfer from Stage 1	87,542	45,667	22,921	-	-	-	8,068	164,198	7,190	88,886	260,274
Transfer from Stage 2	420,157	23,666	4,166	-	-	-	902	448,891	909	3,289	453,089
Transfer from Stage 3	-	(67,719)	(463)	-	-	-	(265)	(68,447)	(2,843)	(654)	(71,944)
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Other movements***	(18,801)	(15,854)	(5,207)	2,259	-	(47,424)	83,853	(1,174)	(2,140)	280	(3,034)
	680,577	284,138	336,290	45,927	69,569	138,284	304,188	1,858,973	90,873	1,129,076	3,078,922
<b>Total</b>											
Gross carrying amount, January 1, 2024	81,196,872	8,454,227	4,120,628	1,050,699	575,338	11,681,546	2,328,224	109,407,534	388,561	2,789,882	112,585,977
New assets purchased or originated	59,559,399	2,388,621	2,421,148	355,689	225,095	6,530,101	567,081	72,047,134	94,525	1,357,801	73,499,460
Assets derecognized or repaid	(31,634,511)	(513,246)	(430,111)	(215,241)	(354,706)	(4,026,731)	(188,907)	(37,363,453)	(45,343)	(637,577)	(38,046,373)
Transfer from Stage 1	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 2	-	-	-	-	-	-	-	-	-	-	-
Transfer from Stage 3	-	-	-	-	-	-	-	-	-	-	-
Write-off	(168,339)	-	-	(33,123)	(51,673)	-	(40,315)	(293,450)	-	(15,538)	(308,988)
Other movements***	(6,133,914)	(764,934)	(1,035,623)	69,440	(31,331)	(428,018)	(60,179)	(8,384,559)	(102,878)	129,886	(8,357,551)
	P102,819,507	P9,564,668	P5,076,042	P1,227,464	P362,723	P13,756,898	P2,605,904	P135,413,206	P334,865	P3,624,454	P139,372,525

\*Comprised of benefit loans, salary loans and credit cards.

\*\*Comprised of accrued interest receivables, accounts receivables and RCOCI

\*\*\*Includes movements in outstanding balances and foreign exchange differences

The movements in allowance for impairment losses as at December 31, 2025, 2024 and 2023 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2025				
	Investment in an Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P5,262	P191,330	P4,438,022	P4,640,540
Provision for impairment losses for the year	-	-	2,804	58	2,862
Balance at end of year	P5,926	P5,262	P194,134	P4,438,080	P4,643,402

	December 31, 2024				
	Investment in an Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P5,262	P249,958	P4,438,056	P4,699,202
Provision for impairment losses for the year	-	-	(51,698)	(34)	(51,732)
Write-off	-	-	(6,930)	-	(6,930)
Balance at end of year	P5,926	P5,262	P191,330	P4,438,022	P4,640,540

	December 31, 2023				
	Investment in an Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	Total
Balance at beginning of year	P5,926	P6,156	P201,904	P4,611,829	P4,825,815
Provision for impairment losses for the year	-	(894)	58,731	(83,494)	(25,657)
Write-off	-	-	(10,677)	(90,279)	(100,956)
Balance at end of year	P5,926	P5,262	P249,958	P4,438,056	P4,699,202

## 18. Deposit Liabilities

### Long-term Negotiable Certificates of Time Deposit (LTNCTD)

On March 17, 2020, the Bank issued unsecured LTNCTD with 4.5% fixed interest rate at par value of P5.0 billion. The issuance of the LTNCTD was approved by the BOD on June 25, 2019 and by the BSP on October 31, 2019. The issuance was listed in the Philippine Dealing and Exchange Corporation. The LTNCNCD matured and was settled on September 17, 2025.

### Reserve Requirement

On June 23, 2023, the BSP reduced the reserve requirement to 9.5% effective on the reserve week starting on June 30, 2023, through the issuance of BSP Circular No. 1175. On September 20, 2024, the BSP issued Circular No. 1201 reducing the reserve requirement to 7.0% effective on the reserve week starting October 25, 2024. On March 11, 2025, the BSP issued Circular No. 1211 reducing the reserve requirement to 5.0% effective on the reserve week starting March 28, 2025.

As at December 31, 2025 and 2024, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P10.7 billion and P12.0 billion as at December 31, 2025 and 2024, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 4.0% to 5.3% in 2025, from 5.3% to 6.0% in 2024, and from 5.0% to 6.0% in 2023. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 5.1% to 5.8%, from 6.3% to 6.7%, and from 6.4% to 6.8% in 2025, 2024, and 2023, respectively. Interest income on Due from BSP amounted to P290.2 million, P368.3 million, and P364.2 million in 2025, 2024, and 2023, respectively.

Interest expense on deposit liabilities follows:

	2025	2024	2023
Demand	<b>P179,625,107</b>	P88,483,830	P67,813,429
Savings	<b>2,048,288,457</b>	2,504,250,516	2,174,301,309
Time	<b>639,678,671</b>	646,617,783	502,742,516
LTNCTD	<b>161,570,118</b>	226,323,900	226,323,900
	<b>P3,029,162,353</b>	P3,465,676,029	P2,971,181,154

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.5% in 2025, and 0.1% to 6.5% in 2024 and 2023. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 3.5% in 2025, and 0.1% to 5.5% in 2024 and 2023.

#### Insurance Expense

This account pertains to the PDIC insurance on deposits amounting to P412.9 million, P384.0 million, and P345.1 million in 2025, 2024, and 2023, respectively.

### **19. Bills Payable**

This account consists of SSURA and short-term borrowings from local and foreign banks. As at December 31, 2025 and 2024, there were no outstanding short-term borrowings from local and foreign banks and no financial assets pledged and transferred under SSURA transactions.

Interest expense consists of:

	2025	2024	2023
SSURA	<b>P2,278,106</b>	P9,058,806	P24,610,494
Local banks	<b>532,440</b>	1,815,681	104,836
Foreign banks	-	-	128,142
Other borrowings	<b>25,048,417</b>	4,258,384	24,254,796
	<b>P27,858,963</b>	P15,132,871	P49,098,268

SSURA were subject to annual interest rate of 4.6% in 2025 and annual interest rates ranging from 4.9% to 5.1% in 2024 and from 5.3% to 5.7% in 2023.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 4.8% to 5.3% and from 6.3% to 6.8% in 2025 and 2024, respectively. There were no peso-denominated short-term borrowings from local banks in 2023. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rates ranging from 3.9% to 4.1% in 2025, annual interest rate of 5.5% in 2024, and from 4.6% to 4.9% in 2023.

Foreign currency denominated short-term borrowings from foreign banks are subject to annual interest rates ranging from 4.8% to 5.1% in 2023. There were no foreign currency denominated short-term borrowings from foreign banks in 2025 and 2024.

In 2025, 2024 and 2023, interest expense on other borrowings includes interest expense on tax settlement amounting to P25.0 million, P4.3 million and P24.2 million, respectively.

## 20. Bonds Payable

This account consists of the following fixed rate peso bonds:

Issue Date	Maturity Date	Interest Rate	Face Value	Outstanding Balance	
				2025	2024
February 19, 2025	February 19, 2027	6.1942%	P10,006,850,000	<b>P9,952,138,980</b>	P -
February 19, 2025	May 19, 2030	6.3494%	7,993,150,000	<b>7,928,861,891</b>	-
May 16, 2024	November 16, 2025	6.5635%	6,569,750,000	-	6,534,447,698
				<b>P17,881,000,871</b>	<b>P6,534,447,698</b>

The P6.6 billion fixed rate bonds issued by the Bank on May 16, 2024 with a coupon rate of 6.5635% payable on a quarterly basis matured and was settled in full on November 16, 2025.

On February 19, 2025, the dual-tranche fixed rate bonds due 2027 (Series C Bonds) and fixed rate bonds due 2030 (Series D Bonds), which were issued as the third tranche of the Bank's increased P50.0 billion Peso Bond Programme, were listed on the Philippine Dealing and Exchange Corporation. Series C Bonds and Series D Bonds, with face value of P10.0 billion and P8.0 billion, respectively, are due on February 19, 2027 and May 19, 2030, respectively. The bonds were priced at par with coupon rate of 6.1942% for Series C Bonds and 6.3494% for Series D Bonds payable on a quarterly basis. Total bond transaction costs amounted to P168.8 million.

Interest expense on bonds payable amounted to P1.4 billion, P532.9 million, and P413.0 million in 2025, 2024 and 2023, respectively. As at December 31, 2025 and 2024, unamortized bond transaction costs amounted to P119.0 million and P35.3 million, respectively.

## 21. Accrued Interest, Taxes and Other Expenses

This account consists of accruals for the following:

	Note	2025	2024
Interest payable:			
Deposit liabilities	18	<b>P191,703,358</b>	P211,707,577
Bonds payable	20	<b>117,215,471</b>	44,043,546
		<b>308,918,829</b>	255,751,123
Employee and other benefits		<b>365,007,998</b>	226,500,304
Insurance		<b>217,611,820</b>	203,116,131
Taxes payable		<b>90,981,748</b>	116,688,935
Penalties		<b>77,686,628</b>	34,412,283
Fees and commissions		<b>73,265,275</b>	72,329,788
Utilities expenses		<b>46,316,993</b>	32,595,643
Security		<b>36,433,582</b>	27,319,769
Management and professional fees		<b>31,018,076</b>	35,201,526
Equipment-related expenses		<b>17,825,336</b>	7,281,022
Building repairs and maintenance		<b>17,374,574</b>	14,361,406
Rent		<b>6,758,121</b>	6,229,896
Others		<b>60,588,335</b>	66,405,394
		<b>P1,349,787,315</b>	<b>P1,098,193,220</b>

Other accrued expenses include accruals for royalty fee, marketing and advertising, janitorial, messengerial, and various expenses attributable to the Bank's operations.

## 22. Other Liabilities

This account consists of:

	<i>Note</i>	<b>2025</b>	2024
Accounts payable		<b>P2,244,708,806</b>	P5,147,678,610
Bills purchased - contra	12, 33	<b>1,495,440,250</b>	825,848,408
Lease liabilities	30	<b>682,935,529</b>	661,590,944
Other credits-dormant		<b>420,492,068</b>	252,366,676
Due to preferred shareholders	24	<b>312,044,149</b>	301,145,218
Due to Treasurer of the Philippines		<b>284,244,651</b>	213,902,800
Withholding tax payable		<b>183,578,754</b>	182,032,305
Payment orders payable		<b>99,537,595</b>	2,991,807,839
Unclaimed balances		<b>47,077,966</b>	130,168,838
ECL on off-balance sheet exposures	17	<b>25,055,733</b>	45,843,821
Margin deposits		-	227,000,000
Miscellaneous		<b>135,586,661</b>	130,709,248
		<b>P5,930,702,162</b>	P11,110,094,707

Accounts payable mainly pertains to advance loan payments from borrowers, settlement billings from credit card operations and proceeds from collections pending remittance to clients/payees.

Payment orders payable pertains to inward and outward remittances received by the Bank pending payment or application to designated deposit accounts.

Other credits - dormant account includes long outstanding Managers' Checks that are yet to be encashed by the payees, which have been outstanding for more than one year from the dates of checks.

Margin deposits pertains to non-interest bearing deposits required on commercial letter of credits issued in favor of beneficiaries arising from movement of goods or services.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 38).

Miscellaneous include deposits for keys of safety deposit boxes, SSS payable, other provisions and unclaimed salaries of resigned employees.

## 23. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

Note	2025			2024		
	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
<b>Financial Assets - gross</b>						
COCI	P3,549,485	P -	P3,549,485	P4,244,124	P -	P4,244,124
Due from BSP	18 18,056,369	-	18,056,369	47,919,926	-	47,919,926
Due from other banks	2,105,471	-	2,105,471	3,819,901	-	3,819,901
Interbank loans receivable and SPURA	8 7,648,541	-	7,648,541	3,587,849	-	3,587,849
Financial assets at FVPL:	9					
Government securities held-for-trading	5,132,998	-	5,132,998	2,782,361	-	2,782,361
Derivative assets	7,315	29,395	36,710	34,795	28,922	63,717
Private debt securities	-	-	-	29,556	-	29,556
Financial assets at FVOCI:	10					
Government securities	401,120	34,392,314	34,793,434	-	19,036,827	19,036,827
Equity securities	-	224,877	224,877	-	41,807	41,807
Investment securities at amortized cost - gross:	11					
Government securities	13,531,809	25,947,859	39,479,668	6,882,006	27,583,479	34,465,485
Private debt securities	-	1,896,106	1,896,106	266,382	1,884,050	2,150,432
Loans and receivables - gross:	12					
Receivable from customers:						
Term loans	35,312,458	89,244,194	124,556,652	42,179,364	60,640,143	102,819,507
Agri-agra loans	3,395,308	10,200,720	13,596,028	6,132,221	7,624,835	13,757,056
Housing loans	552,416	11,731,075	12,283,491	481,442	9,083,278	9,564,720
Auto loans	904,754	5,430,742	6,335,496	579,843	4,499,179	5,079,022
Bills purchased, import bills and trust receipts	1,543,835	-	1,543,835	1,227,464	-	1,227,464
Direct advances	318,792	45,688	364,480	272,180	91,830	364,010
Others	2,376,744	750,682	3,127,426	1,975,573	693,212	2,668,785
Accrued interest receivable	2,181,671	-	2,181,671	1,753,888	-	1,753,888
Accounts receivable	1,452,597	-	1,452,597	1,573,836	-	1,573,836
Unquoted debt securities	291,578	-	291,578	291,578	-	291,578
Sales contract receivables	114,232	167,078	281,310	98,954	235,911	334,865
RCOCI	3,338	-	3,338	5,152	-	5,152
	98,880,831	180,060,730	278,941,561	126,138,395	131,443,473	257,581,868
<b>Non-financial Assets - gross</b>						
Investment in associate	13 -	75,395	75,395	-	75,395	75,395
Property and equipment	14 -	5,120,788	5,120,788	-	5,014,214	5,014,214
Investment properties	15 -	5,236,871	5,236,871	-	5,156,900	5,156,900
Deferred tax assets	32 -	269,766	269,766	-	447,021	447,021
Other assets	16 3,257,960	7,006,541	10,264,501	2,926,500	6,841,103	9,767,603
	3,257,960	17,709,361	20,967,321	2,926,500	17,534,633	20,461,133
	P102,138,791	P197,770,091	P299,908,882	P129,064,895	P148,978,106	P278,043,001
Less:						
Allowance for credit and impairment losses	17		P7,767,311			P7,519,444
Accumulated depreciation and amortization	14, 15, 16		5,168,848			4,981,095
Unearned interest	12		83,143			67,358
Accumulated equity in net loss	13		36,048			35,037
<b>Total</b>			<b>P286,853,532</b>			<b>P265,440,067</b>
<b>Financial Liabilities</b>						
Deposit liabilities:	18					
Demand	P80,072,538	P -	P80,072,538	P63,961,972	P -	P63,961,972
Savings	118,408,300	7,000	118,415,300	125,100,493	-	125,100,493
Time	24,627,351	198,927	24,826,278	17,637,099	278,974	17,916,073
LTNCTD	-	-	-	5,029,420	-	5,029,420
Financial liabilities at FVPL	9 2,085	-	2,085	45,214	-	45,214
Bonds payable	20 -	17,881,001	17,881,001	6,534,448	-	6,534,448
Manager's checks	1,797,803	-	1,797,803	1,414,092	-	1,414,092
Accrued interest and other expenses*	21 887,040	-	887,040	748,774	-	748,774
Other liabilities**	22 4,950,039	772,028	5,722,067	10,119,072	763,147	10,882,219
	230,745,156	18,858,956	249,604,112	230,590,584	1,042,121	231,632,705
<b>Non-financial Liabilities</b>						
Accrued taxes and other expense payable	21 462,748	-	462,748	349,419	-	349,419
Other liabilities	22 208,635	-	208,635	227,876	-	227,876
	671,383	-	671,383	577,295	-	577,295
	P231,416,539	P18,858,956	P250,275,495	P231,167,879	P1,042,121	P232,210,000

\*amounts exclude accruals of employee and other benefits, taxes payable and rent

\*\*amounts exclude withholding tax payable and ECL of loan commitments and financial guarantees

Refer to Note 5 for the discussions on the Bank's policy on liquidity risk and funding management.

## 24. Capital

The Bank's capital stock consists of the following as at December 31, 2025, 2024, and 2023:

	Shares	Amount
<b>Authorized Capital Stock</b>		
Common stock, P10 par value	1,702,511,470	P17,025,114,700
Preferred stock, P10 par value	455,000,000	4,550,000,000
	<b>2,157,511,470</b>	<b>P21,575,114,700</b>
<b>Issued and Outstanding</b>		
Common stock	1,403,013,920	P14,030,139,200
Preferred stock	416,666,670	4,166,666,700
	<b>1,819,680,590</b>	<b>P18,196,805,900</b>
<b>Paid-In-Surplus</b>		
Common stock		P 5,995,503,421
Preferred stock		1,233,771,939
		<b>P7,229,275,360</b>

There were no movements on the number of shares outstanding at December 31, 2025 and 2024.

Preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

The Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P312.0 million and P301.1 million as at December 31, 2025 and 2024, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 22 to the financial statements. As at December 31, 2025 and 2024, the related sinking fund which is recorded under "Other assets" account amounting to P312.0 million and P301.1 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares and 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares and 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and
- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In connection to this, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board also approved that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

On April 30, 2019, the BOD and the Stockholders approved to amend the Articles of Incorporation to deny pre-emptive rights. The said amendment was approved by the BSP on August 16, 2019 and by the SEC on September 5, 2019.

On January 30, 2020, the BOD and the Stockholders approved the amendment of the Articles of Incorporation to (a) reflect that the Bank's terms of existence shall be perpetual (b) retire 4,248,853 redeemed preferred shares thereby decreasing the Bank's authorized capital stock to P21,575,114,700 (c) reclassify 3,251,147 existing unissued preferred shares into new unissued preferred shares and (d) reclassify 42,248,853 existing unissued common shares into new unissued preferred shares. The amendments resulted in total new preferred shares of 45,500,000 with par value of P100 and decrease in common shares to 170,251,147 with par value of P100. These were approved by the BSP on May 21, 2020 and by the SEC on June 9, 2020.

On January 26, 2021, the BOD approved the issuance of 41,666,667 preferred shares to San Miguel Corporation at P132.0 per share. These shares will be issued out of the unissued Series 1 Preferred Shares of the Bank. On March 8, 2021, the Bank received from BSP a "No Objection" to the provisions in the indicative terms and conditions of these Preferred Shares, provided that the Bank shall continuously comply with the regulation for the inclusion of preferred shares as part of Additional Tier 1 capital under Appendix 59, Risk-based Capital Adequacy Framework for the Philippines Banking System, of the Manual Regulations for Banks. On June 29, 2021, the BOD approved the change of investor for preferred shares from San Miguel Corporation to SMC Equivest Corporation, a wholly owned subsidiary of San Miguel Corporation and an existing stockholder of the Bank. On August 5, 2021, the Bank issued 41,666,667 Series 1 Preferred Shares to SMC Equivest Corporation at P132.0 per share. Transaction costs on the issuance of preferred shares amounting to P99.6 million were charged against "Paid-in surplus".

On May 25, 2021 and July 8, 2021, the BOD and the Stockholders, respectively, approved the amendment of the Bank's Articles of Incorporation to the par value of common and preferred shares from One Hundred Pesos (P100.0) to Ten Pesos (P10.0). The amendment resulted in increase in common shares from 170,251,147 to 1,702,511,470 and increase in preferred shares from 45,500,000 to 455,000,000. This amendment was approved by the BSP on October 4, 2021 and by the SEC on November 2, 2021.

On October 28, 2021 and November 9, 2021, the BOD and Stockholders, respectively, approved the primary public offer and sale of up to 280,700,000 common shares from unissued capital stock. On February 15 and February 16, 2022, the SEC and the PSE, respectively, approved the application for the Initial Public Offer of the Bank. On March 31, 2022, the Bank listed its common shares with the PSE. The Bank offered and issued new common shares to the public up to 280,602,800 at P12.0 per share. Transaction costs on the issuance of common shares amounting to P108.6 million were charged against "Paid-in surplus".

On October 28, 2021 and November 9, 2021, the BOD and the Stockholders also approved the amendment to the Articles of Incorporation - to align sections around the sale, assignment, and disposal of shares with the lock up requirements of the Philippine Stock Exchange. The By-laws were also amended to update sections on stockholders, the Board of Directors, certificates of stock and the transfer of shares of stock. On December 31, 2021, the BSP approved the request of the Bank to amend its Articles of Incorporation and By-laws. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the SEC on January 28, 2022.

On February 22, 2022 and April 29, 2022, the BOD and the Stockholders, respectively, approved the amendments to the Articles of Incorporation to change its purpose from a Commercial Bank to a Universal Bank pursuant to BSP MB Resolution No. 1798 dated December 23, 2021. The By-laws were also amended to comply with Sections 28 and 52 of the Revised Corporation Code. The amendment on the Bank's Articles of Incorporation and By-laws was approved by the BSP on June 29, 2022 and by the SEC on August 9, 2022.

Subject to the approval of the relevant government regulatory agencies, the Stockholders and BOD approved on April 25, 2023 and February 28, 2023, respectively, the amendment of the Articles of Incorporation to increase the Bank's authorized capital stock from P21,575,114,700 (divided into 1,702,511,470 common shares and 455,000,000 preferred shares) to P28,198,773,840 (divided into 2,364,877,384 common shares and 455,000,000 preferred shares). As of December 31, 2025, the Bank is in process of completing the documentary requirements necessary to obtain BSP approval.

The Stockholders and BOD approved on April 30, 2024 and February 27, 2024, respectively, the amendments to the By-laws to (a) specify the date of the annual stockholders' meeting and (b) align with relevant rules and regulations, such as Section 132 of the MORB and Section 34 of the Revised Corporation Code. The Stockholders likewise approved on April 30, 2024 the authority to delegate to the BOD the power to amend or repeal the current by-laws or enact a new one. On August 22, 2024 and October 8, 2024, the BSP and SEC, respectively, approved the amendments to the By-laws.

#### Cash Dividend

On May 28, 2024, the BOD declared cash dividends amounting to P654.9 million or equivalent to P0.2512 per common share and P0.7260 per preferred share, payable on July 15, 2024 to all stockholders of record as of June 19, 2024.

On May 27, 2025, the BOD declared cash dividends amounting to P851.4 million or equivalent to P0.25 regular dividend per common share, P0.20 special dividend per common share, and P0.5280 per preferred share, payable on July 15, 2025 to all stockholders of record as of June 19, 2025.

#### Equity Restructuring

On March 29, 2021, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P51,156,715 as at December 31, 2020 through the use of the Bank's Paid-in surplus.

On July 12, 2021, the Bank received from BSP a "No Objection" response to its application for equity restructuring with the SEC, subject to the (i) Bank's compliance with the Commission's other requirements; and (ii) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within five (5) days from receipt thereof.

On October 14, 2021, the SEC approved the equity restructuring to wipe-out the deficit as at December 31, 2020 amounting to P51,156,715 against the Paid-in surplus of P5.6 billion subject to the conditions that the remaining Paid-in surplus of P5.5 billion cannot be applied for future losses that may be incurred by the Bank without prior approval of the SEC.

#### Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On August 5, 2021, SMC Equivest Corporation infused additional capital amounting P5.5 billion in the form of paid-up preferred stock. This is in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. On March 31, 2022, the Bank listed its common shares with the PSE and raised P3.4 billion in additional capital as part of the requirements for the upgrade.

Under Section 121 of the MORB, *Minimum Required Capital*, the minimum capitalization requirement applicable for the Bank (universal banks with more than 100 branches) amounted to P20.0 billion. The Bank achieved this level with the August 2021 infusion of additional capital mentioned above. On December 23, 2021, the BSP approved the upgrade of the Bank's banking license from commercial bank to universal bank (UB) subject to certain regulatory requirements. On October 24, 2022, the Bank received from the BSP the Certificate of Authority to Operate as a Universal Bank dated October 4, 2022. As at December 31, 2025 and 2024, the reported unimpaired capital of the Bank amounted to P34.9 billion and P32.1 billion, respectively.

The guidelines on Bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

#### Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRS Accounting Standards in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538, *Revised Risk-Based Capital Adequacy Framework for Universal and Commercial Banks and their Subsidiary Banks and Quasi-Banks*, which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1] and Tier 2 - 'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;
- Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and
- Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2025 and 2024, based on the CAR reports submitted to BSP, the Bank's CAR of 16.48% and 17.58%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios"), based on the Basel III framework. The decrease in the CAR ratio reflects the expansion of credit and market risk weighted assets arising from the Bank's higher loan and securities exposures, which outweighed the increase in unimpaired capital driven by the earnings growth.

The breakdown of the Bank's risk-weighted assets as at December 31, 2025 and 2024 as reported to BSP follows (amounts in thousands):

	<b>2025</b>	2024
Credit risk-weighted assets	<b>P185,950,201</b>	P160,363,565
Operational risk-weighted assets	<b>17,177,154</b>	14,407,072
Market-risk weighted assets	<b>3,450,743</b>	1,512,215
	<b>P206,578,098</b>	P176,282,852

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2025 and 2024 (in millions) as reported to BSP which was compiled as per below:

	<b>2025</b>	2024
Tier 1 capital	<b>P32,464</b>	P29,638
Tier 2 capital	<b>1,576</b>	1,347
Total qualifying capital	<b>P34,040</b>	P30,985
CET1 capital	<b>P27,063</b>	P24,237
Risk-weighted assets	<b>P206,578</b>	P176,283
CET1 ratio	<b>13.10%</b>	13.75%
Tier 1 capital ratio	<b>15.72%</b>	16.81%
Total capital ratio	<b>16.48%</b>	17.58%

Certain adjustments are made to PFRS Accounting Standards results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRS Accounting Standards:

- a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning;
- b) accounting for investment properties.

The recognition of the Bank for prudential reporting is based on the accounting treatment approved by BSP (see Notes 15 and 16).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% as at December 31, 2025 and 2024 which was complied as per below breakdown (amounts in thousands):

	2025	2024
Capital measure	<b>P32,463,857</b>	P29,637,638
Exposure measure	<b>299,090,818</b>	278,642,739
Leverage ratio	<b>10.85%</b>	10.64%

The LCR framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100.0% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2025 and 2024, the Bank's LCR were 169.16% and 178.68%, respectively, which were above the prescribed minimum requirement set at 100.0%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks underwent an observation period from July 1, 2018 up to December 31, 2018 while actual implementation commenced on January 01, 2019. The NSFR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100.0% at all times.

As at December 31, 2025 and 2024, the reported NSFR of 128% and 145%, respectively, exceeded the required minimum of 100%.

This applies to UB/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel III reforms.

## 25. Surplus Reserve

	2025	2024	2023
Reserve for general provision - special reserve	<b>P1,343,275,024</b>	P939,993,441	P877,491,849
Reserve for trust business	<b>180,516,595</b>	169,052,115	157,512,612
Reserve for self-insurance	<b>60,000,000</b>	60,000,000	60,000,000
	<b>P1,583,791,619</b>	P1,169,045,556	P1,095,004,461

### Reserve for General Provision - Special Reserve

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9*, requires appropriation of the Bank's retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations. Additional appropriation for reserve for general provision amounted to P403.3 million, P62.5 million, and P102.3 million in 2025, 2024 and 2023, respectively.

### Reserve for Trust Business

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock. Additional appropriation for reserve for trust business amounted to P11.5 million in 2025 and 2024, and P9.3 million in 2023.

### Reserve for Self-insurance

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties. No additional appropriation for Reserve for self-insurance was made in 2025, 2024, and 2023.

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## 26. Interest Income on Debt Securities

This account consists of:

	<i>Note</i>	<b>2025</b>	2024	2023
Investment securities at amortized cost:				
Government securities	11	<b>P1,755,747,951</b>	P1,751,627,968	P1,716,340,695
Private debt securities		<b>67,860,540</b>	80,500,659	85,656,947
Financial assets at FVOCI:				
Government securities	10	<b>1,516,713,315</b>	854,777,572	445,722,527
		<b>3,340,321,806</b>	2,686,906,199	2,247,720,169
Financial assets at FVPL	9			
Government securities		<b>285,715,114</b>	126,909,743	21,561,207
		<b>P3,626,036,920</b>	P2,813,815,942	P2,269,281,376

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 0.8% to 4.3% in 2025, and from 0.8% to 5.3% in 2024 and 2023.

Peso-denominated investment securities at amortized cost bear EIRs ranging from 2.6% to 8.1% in 2025, and from 2.3% to 8.1% in 2024 and 2023.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.6% to 4.5% in 2025, 2024 and 2023. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.6% to 6.8% in 2025 and 2024, and from 3.6% to 6.9% in 2023.

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 2.5% to 8.6% in 2025, from 2.2% to 8.6% in 2024, and from 1.6% to 8.6% in 2023. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 3.6% to 8.1%, from 2.6% to 8.6%, and from 2.6% to 9.3% in 2025, 2024, and 2023, respectively.

## 27. Service Charges, Fees and Commissions

### *Service Charges, Fees and Commissions - Income*

This account consists of:

	2025	2024	2023
Credit card fees	<b>P205,175,739</b>	P190,895,182	P179,629,720
Trust income	<b>194,738,959</b>	185,602,042	174,904,628
Underwriter and arranger's fees	<b>175,431,518</b>	292,684,017	148,709,683
Service charges	<b>157,217,036</b>	161,058,043	157,871,633
Fees and commissions	<b>77,402,253</b>	68,341,607	55,744,047
Letters of credit fees	<b>72,843,504</b>	109,140,234	77,530,188
Penalty charges	<b>29,373,108</b>	23,763,728	34,546,673
Remittance fees	<b>18,535,116</b>	21,052,949	37,065,138
Commitment fees	<b>974,672</b>	9,352,113	10,144,513
Telegraphic transfer fees	<b>953,844</b>	3,979,921	3,375,067
Others	<b>15,278,104</b>	8,894,038	6,858,195
	<b>P947,923,853</b>	P1,074,763,874	P886,379,485

Underwriter and arranger's fees are earned by the Bank as compensation for underwriting a public offering, placing an issue in the market or arranging a private placement of debt.

Service charges include charges on loans, ATM fees and deposit taking-related activities.

Others include commission on acceptance fee, insurance, auto and housing loans processing fee and sale of demand drafts.

### *Service Fees and Commissions - Expenses*

This account consists of:

	2025	2024	2023
Transaction and service fees	<b>P235,084,941</b>	P328,732,411	P273,919,598
Mastercard fees	<b>114,642,340</b>	95,687,054	77,654,916
Fees and commissions	<b>65,769,319</b>	63,644,608	58,759,010
Others	<b>10,069,462</b>	7,056,231	7,590,497
	<b>P425,566,062</b>	P495,120,304	P417,924,021

Others include processing fees, handling fees and various other charges.

## 28. Trading and Investment Securities Gains (Losses) - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	2025	2024	2023
Financial assets and liabilities at FVPL:				
Debt securities:				
Unrealized	9	<b>P65,017,733</b>	(P1,017,785)	P22,810,265
Realized		<b>14,633,609</b>	(1,645,410)	(19,188,811)
Equity securities:				
Realized		-	-	12,535
Financial assets at FVOCI	10	<b>16,457,282</b>	1,623,076	6,964,361
		<b>P96,108,624</b>	(P1,040,119)	P10,598,350

## 29. Employee Benefits

### Compensation and Fringe Benefits

The details of the following accounts in 2025, 2024 and 2023 follow:

	2025	2024	2023
Salaries and allowances	<b>P1,661,866,208</b>	P1,504,714,424	P1,326,204,346
Bonuses	<b>699,600,000</b>	508,400,000	460,950,000
Employee benefits	<b>504,558,258</b>	440,596,896	337,516,981
Retirement benefits	<b>98,528,869</b>	135,889,019	91,753,151
Overtime	<b>72,342,473</b>	47,195,764	41,971,618
	<b>P3,036,895,808</b>	P2,636,796,103	P2,258,396,096

### Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined by using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the Bureau of Internal Revenue (BIR).

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is December 31, 2025. Valuations are performed on an annual basis.

As at December 31, 2025, 2024 and 2023, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2025	2024	2023
Average working life	9.0	9.0	13.0
Discount rate	6.4%	6.1%	6.1%
Future salary increases	6.6%	6.6%	6.6%

The mortality rates used in the valuation were based on the 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from 01 January 1977 to 31 December 1981, a period of five years. The 1985 UAT has been adjusted to reflect improvements in mortality experience since its original construction. The disability rates used in the valuation were based on 100% of the adjusted 1952 Disability Table, reflecting improvement in Philippine disability experience.

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability (assets) and its components (in thousands).

	Defined Benefits Obligation			Fair Value of Plan Assets			Net Retirement Benefit Liability (Asset)		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Balance at January 1	P1,422,454	P1,343,134	P1,027,606	(P1,849,744)	(P1,216,994)	(P1,100,754)	(P427,290)	P126,140	(P73,148)
<b>Included in Profit or Loss</b>									
Current service cost	124,593	128,195	94,990	-	-	-	124,593	128,195	94,990
Interest expense (income)	86,770	81,931	77,119	(112,834)	(74,237)	(80,356)	(26,064)	7,694	(3,237)
	211,363	210,126	172,109	(112,834)	(74,237)	(80,356)	98,529	135,889	91,753
<b>Included in OCI</b>									
Remeasurement loss (gain):									
Actuarial loss (gain) arising from:									
Financial assumptions	(34,686)	-	167,475	-	-	-	(34,686)	-	167,475
Demographic assumptions	-	(50,935)	-	-	-	-	-	(50,935)	-
Experience adjustment	23,148	29,700	81,345	-	-	-	23,148	29,700	81,345
Return on plan assets excluding interest income	-	-	-	(3,664)	(12,811)	39,176	(3,664)	(12,811)	39,176
	(11,538)	(21,235)	248,820	(3,664)	(12,811)	39,176	(7,874)	(34,046)	287,996
<b>Others</b>									
Contributions paid by the employer	-	-	-	-	(655,273)	(180,461)	-	(655,273)	(180,461)
Benefits paid	(94,533)	(109,571)	(105,401)	94,533	109,571	105,401	-	-	-
	(94,533)	(109,571)	(105,401)	94,533	(545,702)	(75,060)	-	(655,273)	(180,461)
<b>Balance at December 31</b>	<b>P1,527,746</b>	<b>P1,422,454</b>	<b>P1,343,134</b>	<b>(P1,864,381)</b>	<b>(P1,849,744)</b>	<b>(P1,216,994)</b>	<b>(P336,635)</b>	<b>(P427,290)</b>	<b>P126,140</b>

The movements of the remeasurement losses on retirement asset of the Bank follow:

	2025	2024	2023
Balance at beginning of year	P331,673,141	P365,718,897	P77,723,200
Remeasurement losses (gains) on:			
Defined benefits obligation	(11,538,333)	(21,234,266)	248,820,103
Plan assets	3,664,751	(12,811,490)	39,175,594
Net change in remeasurement losses (gains) recorded in OCI	(7,873,582)	(34,045,756)	287,995,697
Balance at end of year	P323,799,559	P331,673,141	P365,718,897

The actual return on plan assets amounted to P109.2 million and P87.0 million in 2025 and 2024, respectively.

The Bank expects to contribute P153.5 million to its defined benefit retirement plan in 2026.

The major categories of the fair value of plan assets as at December 31, 2025 and 2024 follow:

	2025	2024
Investment securities:		
Government and other debt securities	<b>P1,372,938,428</b>	P1,185,718,267
Quoted equity securities	<b>471,059,041</b>	488,000,625
Unquoted equity securities	<b>2,600</b>	2,600
Deposits with the bank	<b>1,518,047</b>	47,946,914
Loans receivables	-	107,910,000
Other receivables	<b>18,862,550</b>	20,165,796
<b>Total Plan Assets</b>	<b>P1,864,380,666</b>	P1,849,744,202

#### *Sensitivity Analysis*

Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement asset of the Bank by the amounts shown below:

	December 31, 2025			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	<b>P1,421,269,576</b>	<b>P1,648,890,492</b>	<b>P1,637,276,621</b>	<b>P1,429,464,876</b>
Fair value of plan assets	<b>(1,864,380,666)</b>	<b>(1,864,380,666)</b>	<b>(1,864,380,666)</b>	<b>(1,864,380,666)</b>
Net retirement assets	<b>(P443,111,090)</b>	<b>(P215,490,174)</b>	<b>(P227,104,045)</b>	<b>(P434,915,790)</b>

	December 31, 2024			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,318,315,459	P1,541,173,741	P1,529,824,281	P1,326,241,221
Fair value of plan assets	(1,849,744,202)	(1,849,744,202)	(1,849,744,202)	(1,849,744,202)
Net retirement assets	(P531,428,743)	(P308,570,461)	(P319,919,921)	(P523,502,981)

The maturity analyses of the undiscounted benefit payments as at December 31, 2025 and 2024 are as follows:

	2025	2024
1 - 5 years	<b>P896,026,718</b>	P737,989,897
6 - 10 years	<b>1,238,477,973</b>	1,194,923,143
11 - 15 years	<b>938,312,755</b>	946,660,214
16 years and up	<b>3,533,019,616</b>	3,185,757,321
	<b>P6,605,837,062</b>	P6,065,330,575

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is 7 years and 8 years, respectively, as at December 31, 2025 and 2024. The expected average remaining working lives as at December 31, 2025 and 2024 are 9 years.

### 30. Rent and Utilities

The table below shows the breakdown of rent and utilities in 2025, 2024, and 2023.

	2025	2024	2023
Security services	<b>P246,163,048</b>	P225,991,810	P197,680,447
Repairs and maintenance	<b>208,421,705</b>	164,478,895	199,706,881
Power, light, water	<b>91,427,159</b>	76,876,406	112,852,064
Rent expense	<b>80,750,993</b>	93,868,520	81,928,780
Janitorial services	<b>53,345,984</b>	47,405,771	42,226,915
Insurance	<b>19,844,959</b>	14,074,959	13,302,902
<b>Total</b>	<b>P699,953,848</b>	P622,696,361	P647,697,989

Insurance refers to the insurance for the Bank's property and equipment.

#### Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 2.0% to 25.0%.

The Bank also leases parking space, ATM location, signage and storage with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Information about leases for which the Bank is a lessee is presented below.

#### *Right-of-Use Assets*

Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

#### *Lease Liabilities*

The table below shows maturity analysis of lease liabilities as at December 31, 2025 and 2024 (amounts in thousands).

	December 31, 2025						Total
	Within 1 Year	2 Years	3 Years	4 Years	5 Years	Over 5 Years	
Lease payments	<b>P256,050</b>	<b>P209,178</b>	<b>P155,142</b>	<b>P86,048</b>	<b>P30,340</b>	<b>P25,793</b>	<b>P762,551</b>
Finance charges	<b>35,033</b>	<b>22,378</b>	<b>12,051</b>	<b>5,432</b>	<b>2,197</b>	<b>2,524</b>	<b>79,615</b>
Net amount	<b>P221,017</b>	<b>P186,800</b>	<b>P143,091</b>	<b>P80,616</b>	<b>P28,143</b>	<b>P23,269</b>	<b>P682,936</b>

	December 31, 2024						Total
	Within 1 Year	2 Years	3 Years	4 Years	5 Years	Over 5 Years	
Lease payments	P231,879	P196,171	P154,953	P100,318	P34,413	P25,710	P743,444
Finance charges	34,437	23,239	13,383	5,984	2,320	2,490	81,853
Net amount	P197,442	P172,932	P141,570	P94,334	P32,093	P23,220	P661,591

The table below shows the amounts recognized in the statements of income in 2025, 2024 and 2023 related to leases under PFRS 16 (amounts in millions).

	<b>2025</b>	2024	2023
Interest on lease liabilities	<b>P42.7</b>	P39.2	P32.8
Expenses relating to short-term leases	<b>67.4</b>	78.2	70.0
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets	<b>13.3</b>	15.7	12.0

Total cash outflow for leases recognized in 2025, 2024 and 2023 amounted to P347.7 million, P340.3 million, and P320.1 million, respectively.

#### Bank as Lessor

The Bank leases out its commercial properties for office space. The Bank has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank on its commercial properties (shown under "Miscellaneous" in the statements of income) for the years ended December 31, 2025, 2024, and 2023 were P0.9 million, P0.4 million, and P1.6 million, respectively, and includes rental income on investment properties (Note 15). The Bank also recognized income from the use of safety deposit boxes amounted to P2.9 million in 2025 and 2024 and P3.0 million in 2023 (see Note 31).

As at December 31, 2025 and 2024, the Bank has no future rental receivables under non-cancellable operating lease.

### **31. Miscellaneous Income and Expenses**

#### *Miscellaneous Income*

This account consists of:

	<i>Note</i>	<b>2025</b>	2024	2023
Passed-on GRT		<b>P44,775,453</b>	P30,904,732	P50,377,835
Recovery from charged-off assets		<b>18,069,044</b>	23,887,421	71,119,179
Rent income	15, 30	<b>3,789,098</b>	3,384,031	4,602,172
Dividend income	10	<b>2,661,396</b>	3,855,229	5,604,161
Others		<b>62,776,203</b>	40,543,606	13,573,035
		<b>P132,071,194</b>	P102,575,019	P145,276,382

Others include excess chattel fees.

### *Miscellaneous Expenses*

This account consists of:

	<i>Note</i>	<b>2025</b>	2024	2023
Marketing		<b>P87,723,257</b>	P104,522,119	P103,566,171
Communications		<b>86,621,455</b>	68,901,123	79,890,227
Supervision and examination fee		<b>78,078,923</b>	74,970,716	83,011,437
Management fee on deposits		<b>50,103,058</b>	37,808,330	31,354,437
Forms and supplies		<b>46,689,310</b>	47,167,702	51,808,966
Messengerial services		<b>43,804,615</b>	40,360,550	39,440,243
Fines and penalties		<b>43,502,070</b>	584,538	3,372,381
Transportation and travel		<b>32,349,244</b>	32,538,500	42,598,156
Membership dues		<b>27,384,772</b>	22,817,813	27,594,750
Royalty fees		<b>18,135,430</b>	7,846,214	5,600,000
Litigation and acquired assets-related expenses	15	<b>15,862,955</b>	39,850,996	27,984,321
Bank charges		<b>13,686,060</b>	12,183,312	10,889,575
Others		<b>19,805,530</b>	8,533,669	12,682,319
		<b>P563,746,679</b>	P498,085,582	P519,792,983

Others include other provisions and postage.

## **32. Income and Other Taxes**

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

### *Regular Banking Unit*

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income tax expense includes corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On May 29, 2025, R.A. No. 12214, *Capital Markets Efficiency Promotion Act* (CMEPA Law), was signed into law and took effect on July 1, 2025. The following are key amendments to the National Internal Revenue Code (NIRC) of 1997 introduced by CMEPA:

- Interest income by individuals and corporations, except non-residents, from depository banks under the expanded foreign currency deposit system shall be subject to 20% final tax.
- Interest income from long-term deposits and investments with maturity period of not less than five (5) years of individuals shall be subject to 20% final tax.

- Capital gains from the sale, exchange or other disposition of shares of stock in a domestic or foreign corporation not traded in a local or foreign stock exchange shall be subject to 15% capital gains tax (CGT), regardless of the classification and status of the seller. For non-resident foreign corporations, only capital gains from sale, exchange or other dispositions of shares of stocks of a domestic corporation, not traded in a local or foreign stock exchange, shall be subject to 15% CGT.
- For domestic shares traded through a local stock exchange, the stock transaction tax (STT) rate shall be reduced from 0.6% to 0.1%. Similarly, shares in a foreign corporation sold or disposed of through a local stock exchange are subject to the same STT, in lieu of CGT.
- Gains derived from the sale, exchange, or retirement of bonds, debentures, or other certificates of indebtedness, including those with a maturity period of more than 5 years, are now subject to income tax. Any tax exemption and preferential rate on financial instruments issued or transacted prior to July 1, 2025, shall be subject to the prevailing rate at the time of issuance for the remaining maturity of the relevant agreement.
- The documentary stamp tax on the original issuance of shares has been reduced from 1.0% to 0.75% of the par value of such shares of stock.
- Deposit substitutes shall exclude reverse repurchase agreements entered into by and between the BSP and any authorized agent bank, certificates of assignment or participation, and similar instruments with recourse.

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises Act* (CREATE Law), was signed into law and took effect on April 11, 2021. The following are certain provisions of the NIRC of 1997 that were amended and relevant to the Bank:

- Regular corporate income tax rate is decreased from 30.0% to 25.0% starting July 1, 2020;
- Minimum corporate income tax rate is decreased from 2.0% to 1.0% starting July 1, 2020 until June 30, 2023;
- The allowable deduction for interest expense shall be reduced by 20.0% of interest income subjected to final tax, instead of the previous 33.0%; and
- The imposition of 10.0% tax on improperly accumulated retained earnings is repealed.

The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In 2011, the BIR issued RR 4-2011, *Proper Allocation of Costs and Expenses amongst income earning of banks and Other Financial Institutions for Income Tax Reporting Purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

*Foreign Currency Deposit Unit*

RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU, provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.
- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and
- Effective July 1, 2025, interest income derived by resident individual or corporation on deposits with FCDUs and OBUs, formerly taxed at 15.0%, shall be subject to 20.0% final tax.

Income tax expense consists of:

	2025	2024	2023
Current:			
Final	<b>P868,442,978</b>	P773,895,471	P728,807,543
RCIT	<b>401,057,925</b>	6,155,999	93,876,511
Tax benefit	<b>(43,060,009)</b>	-	(25,186,431)
MCIT	-	110,350,681	-
	<b>1,226,440,894</b>	890,402,151	797,497,623
Deferred	<b>40,816,783</b>	27,366,145	136,393,568
	<b>P1,267,257,677</b>	P917,768,296	P933,891,191

The amount of tax benefit relates to MCIT of prior periods that was used to reduce current tax payable.

The amount of deferred income tax relates to the origination and reversal of temporary differences.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2025	2024	2023
Income before income tax expense	<b>P4,807,127,076</b>	P3,942,707,406	P3,736,110,366
Income tax at statutory rate	<b>P1,201,781,769</b>	P985,676,852	P934,027,592
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nondeductible expenses	<b>306,964,747</b>	219,014,569	192,649,750
Tax paid income	<b>(156,998,855)</b>	(207,327,724)	(157,558,235)
Nontaxable income	<b>(57,575,598)</b>	(38,977,837)	(62,716,480)
FCDU income	<b>(24,671,161)</b>	(5,487,915)	(25,552,958)
Changes in unrecognized deferred tax assets	<b>(10,636,556)</b>	(10,502,984)	59,498,560
Others	<b>8,393,331</b>	(24,626,665)	(6,457,038)
Effective income tax	<b>P1,267,257,677</b>	P917,768,296	P933,891,191

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (January 1, 2025 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2025 Tax Effect)
<b>Deferred tax assets:</b>				
Allowance for credit and impairment losses	P562,624,786	P27,347,228	P -	P589,972,014
Accumulated depreciation on foreclosed properties	243,200,102	(11,468,349)	-	231,731,753
Accrued employee benefits and other expenses	140,933,002	43,065,229	-	183,998,231
Lease liabilities	165,397,736	5,336,146	-	170,733,882
Unamortized past service cost	142,862,686	(18,243,993)	-	124,618,693
Unrealized loss on foreclosed properties	54,505,252	(2,530,822)	-	51,974,430
Accrued rent expense	1,277,370	412,160	-	1,689,530
Excess of MCIT over RCIT	43,060,009	(43,060,009)	-	-
	<b>1,353,860,943</b>	<b>857,590</b>	<b>-</b>	<b>1,354,718,533</b>
<b>Deferred tax liabilities:</b>				
Unrealized gain on foreclosed properties	(470,720,160)	28,471,280	-	(442,248,880)
Retirement benefits	(189,740,855)	24,632,218	-	(165,108,637)
Right-of-use asset	(153,197,581)	(5,665,685)	-	(158,863,266)
Unrealized gain on financial assets at FVOCI	(1,309,831)	-	(136,437,696)	(137,747,527)
Unrealized foreign exchange gain	(74,150,382)	(50,514,565)	-	(124,664,947)
Unamortized bond transaction cost	-	(29,749,782)	-	(29,749,782)
Unrealized gain on financial assets at FVPL	(2,722,760)	(12,542,538)	-	(15,265,298)
Gain on investment properties sold under installments	(14,998,830)	3,694,699	-	(11,304,131)
	<b>(906,840,399)</b>	<b>(41,674,373)</b>	<b>(136,437,696)</b>	<b>(1,084,952,468)</b>
<b>Net Deferred Tax Assets (Liabilities)</b>	<b>P447,020,544</b>	<b>(P40,816,783)</b>	<b>(P136,437,696)</b>	<b>P269,766,065</b>

	Beginning Balance (January 1, 2024 Tax Effect)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2024 Tax Effect)
<b>Deferred tax assets:</b>				
Allowance for credit and impairment losses	P594,762,020	(P32,137,234)	P -	P562,624,786
Accumulated depreciation on foreclosed properties	219,129,112	24,070,990	-	243,200,102
Lease liabilities	148,341,109	17,056,627	-	165,397,736
Accrued employee benefits and other expenses	164,455,579	(23,522,577)	-	140,933,002
Unamortized past service cost	-	142,862,686	-	142,862,686
Unrealized loss on foreclosed properties	60,786,237	(6,280,985)	-	54,505,252
Excess of MCIT over RCIT	-	43,060,009	-	43,060,009
Accrued rent expense	1,036,852	240,518	-	1,277,370
	<b>1,188,510,909</b>	<b>165,350,034</b>	<b>-</b>	<b>1,353,860,943</b>
<b>Deferred tax liabilities:</b>				
Unrealized gain on foreclosed properties	(436,144,626)	(34,575,534)	-	(470,720,160)
Retirement benefits	(59,894,848)	(129,846,007)	-	(189,740,855)
Right-of-use asset	(136,498,762)	(16,698,819)	-	(153,197,581)
Unrealized foreign exchange gain	(62,036,775)	(12,113,607)	-	(74,150,382)
Gain on investment properties sold under installments	(18,239,378)	3,240,548	-	(14,998,830)
Unrealized gain on financial assets at FVPL	-	(2,722,760)	-	(2,722,760)
Unrealized gain on financial assets at FVOCI	(363,597)	-	(946,234)	(1,309,831)
	<b>(713,177,986)</b>	<b>(192,716,179)</b>	<b>(946,234)</b>	<b>(906,840,399)</b>
<b>Net Deferred Tax Assets (Liabilities)</b>	<b>P475,332,923</b>	<b>(P27,366,145)</b>	<b>(P946,234)</b>	<b>P447,020,544</b>

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences:

	2025		2024		2023	
	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses*	P2,713,851,614	P678,462,904	P2,750,826,400	P687,706,600	P2,826,627,838	P706,656,960
Unrealized loss on financial assets at FVPL	-	-	-	-	4,023,806	1,005,952
Others	24,905,372	6,226,343	30,476,810	7,619,203	168,557,986	42,139,497
Deferred tax items not recognized in profit or loss	2,738,756,986	684,689,247	2,781,303,210	695,325,803	2,999,209,630	749,802,409
Remeasurement losses on retirement asset	323,799,559	80,949,890	331,673,141	82,918,285	365,718,897	91,429,724
Unrealized loss on financial assets at FVOCI	165,757,255	41,439,314	133,169	33,292	-	-
Deferred tax items not recognized in OCI	489,556,814	122,389,204	331,806,310	82,951,577	365,718,897	91,429,724
	P3,228,313,800	P807,078,451	P3,113,109,520	P778,277,380	P3,364,928,527	P841,232,133

\*Includes allowances on miscellaneous assets-TRB, accounts receivables, and accounts that are not credit-impaired

As at December 31, 2025 and 2024, the Bank has no carryforward NOLCO.

Details of the Bank's RBU excess MCIT over RCIT as at December 31, 2025 follow:

Inception Year	Amount	Applied	Balance	Expiry Year
2024	P43,060,009	P43,060,009	P -	2027

### 33. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30.0% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30.0% unsecured individual ceiling during the project gestation phase provided that the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	Note	Amount/Volume			Outstanding Balance		Nature, Terms and Conditions
		2025	2024	2023	2025	2024	
<b>Investors</b>							
Lease	30	<b>P4,119</b>	P147	P158	<b>P16,158</b>	P -	Fixed monthly lease payments with no variable lease component, and renewable upon mutual agreement
Trust income	27	<b>809</b>	795	665	<b>469</b>	568	Retirement plan managed and administered by the Bank's Trust Services Group under an Investment Management Account (IMA) Agreement
Deposit liabilities	18	-	-	-	<b>303,299</b>	271,077	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Deposits		<b>23,711,231</b>	15,631,179	9,515,594	-	-	
Withdrawals		<b>23,208,147</b>	15,456,917	9,363,788	-	-	
Accrued interest payable	21	<b>1,666</b>	3,298	2,235	<b>418</b>	171	Interest expense and accrued interest payable on deposits
<b>Associate</b>							
Investment in an associate	13	<b>841</b>	611	783	<b>33,421</b>	34,433	24.26% equity interests in BIC which is a stockholder of the Bank and share in net loss of BIC
<b>Other Related Parties</b>							
Investment securities at amortized cost	11	-	-	-	-	P266,346	Long-term bonds with interest rates ranging from 6.5% to 8.1% with maturity in 2025
Maturities		<b>266,390</b>	78,770	36,570	-	-	Matured bond had interest rates ranging from 6.5% to 8.1%
Loans and receivables - net:	12						
Receivables from customers:		-	-	-	<b>67,662,032</b>	52,543,906	Term, housing, auto, salary and personal loans with interest rates ranging from 4.8% to 21.6% and with maturity of less than 1 year to 20 years; Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, and pledge agreement on shares
Avaliments		<b>150,268,861</b>	139,453,828	111,576,878	-	-	Interest income on loans and long-term bonds
Settlements		<b>142,811,666</b>	123,122,822	100,198,842	-	-	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Accrued interest receivables:		-	-	-	<b>474,517</b>	340,694	Interest expense and accrued interest payable on deposits
Interest income		<b>5,278,670</b>	3,787,163	2,875,183	-	-	Accrued other expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing; Other liabilities consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing
Deposit liabilities:	18	-	-	-	<b>86,084,609</b>	77,453,490	Loan, underwriting, and investment-related fees and commission income, gain from the cash and installment sale transactions of foreclosed properties and passed-on GRT
Deposits		<b>8,755,503,257</b>	6,995,121,632	6,156,555,651	-	-	Bank guarantees and outstanding letters of credit in favor of related party and committed credit line
Withdrawals		<b>7,796,122,550</b>	5,355,876,025	5,038,723,856	-	-	
Accrued interest payable	21	<b>317,940</b>	965,437	965,603	<b>59,059</b>	78,141	
Accrued other expenses and other liabilities	21, 22	<b>276,612</b>	357,140	319,048	<b>76,956</b>	2,945,125	
Fees and other income	27, 31	<b>361,185</b>	406,456	219,010	-	-	
Commitments and contingent liabilities	38	-	-	-	<b>23,896,918</b>	25,485,310	

Unless otherwise stated, RPTs disclosed are unsecured and balances are net of allowance

As at December 31, 2025 and 2024, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P1.5 billion and P676.9 million, respectively (see Notes 12 and 22).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash.

As at December 31, 2025 and 2024, the allowance for credit losses on outstanding transactions with other related parties amounted to P320.9 million and P337.2 million, respectively. Reversal of provision for credit losses recorded in 2025 on such related party transactions totaled to P16.4 million. Provision for credit losses recorded in 2024 and 2023 on such related party transactions totaled to P126.7 million and P120.8 million, respectively. Such outstanding transactions include investment securities at amortized cost, receivables from customers, and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

#### Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an Investment Management Account (IMA) Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 29.

The related unaudited financial information on assets/liabilities as at December 31, 2025 and 2024 and income/expense of the funds for the period ended December 31, 2025, 2024 and 2023 follow:

	2025	2024	
Investment securities:			
Government and other debt securities	P1,372,938,428	P1,185,718,267	
Quoted equity securities	471,059,041	488,000,625	
Unquoted equity securities	2,600	2,600	
Loans and other receivables	18,862,550	128,075,796	
Deposits with the bank	5,656,451	51,225,145	
<b>Total Plan Assets</b>	<b>P1,868,519,070</b>	<b>P1,853,022,433</b>	
Trust fee payable	P4,116,892	P3,232,525	
Other liabilities	21,512	45,706	
<b>Total Plan Liabilities</b>	<b>4,138,404</b>	<b>3,278,231</b>	
<b>Net Plan Assets</b>	<b>P1,864,380,666</b>	<b>P1,849,744,202</b>	
<b>Plan Income</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>
Interest income	P83,566,686	P60,316,990	
Trading and investment gains (losses) - net	3,097,811	11,347,086	
Dividend income and others	25,169,908	19,078,546	
	<b>P111,834,405</b>	<b>P90,742,622</b>	
<b>Plan Expense</b>			
Trust fees	P4,499,323	P3,493,486	
Provision for (reversal of) credit losses	(1,595,000)	(1,882,383)	
Other expenses	1,164,598	2,107,923	
	<b>P4,068,921</b>	<b>P3,719,026</b>	
		<b>P6,456,638</b>	

As at December 31, 2025 and 2024, the retirement plan assets of the Bank include 730,670 shares of the Bank classified under financial assets at FVPL. The shares of the Bank were listed in the PSE on March 31, 2022. As at December 31, 2025 and 2024, the fair market value of the shares amounted to P6.7 million and P4.9 million, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to nil, P157,906, and P40,334 in 2025, 2024 and 2023, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the Fund.

The Bank's contribution to its defined benefits retirement plan amounted to nil and P655.3 million in 2025 and 2024, respectively. The Benefits paid out of the Bank's plan assets amounted to P94.5 million and P109.6 million in 2025 and 2024, respectively (see Note 29).

#### Transactions with Investor

The Bank's Trust Services Group also manages and administers retirement funds of one of the investors under IMA Agreements. The total net assets of these trust accounts amounted to P753.4 million and P407.0 million as at December 31, 2025 and 2024, respectively.

#### Compensation of Key Management Personnel of the Bank

The compensation of the key management personnel of the Bank follows:

	2025	2024	2023
Short-term employee benefits	<b>P930,130,876</b>	P820,006,634	P711,101,785
Post-employment benefits	<b>31,529,238</b>	44,843,376	30,278,540
	<b>P961,660,114</b>	P864,850,010	P741,380,325

Director's fees and bonuses in 2025, 2024, and 2023 amounted to P39.9 million, P38.6 million, and P47.3 million, respectively.

### **34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB**

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

- a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001.

The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

- b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.
- c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).
- d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

#### Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

- a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.
- b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.
- c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

## FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

- a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year government securities with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year government securities (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as "Miscellaneous assets".

On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

- b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.
- c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.
- d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within five (5) years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

- a. To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;
- b. Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year government securities to be purchased to replace the maturing government securities in March 2022 and likewise to be pledged to PDIC; and
- c. Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRS Accounting Standards. These transactions and their effects are described below:

Assumption of NPAs of TRB

In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the allowance for impairment losses on the NPAs amounting to P4.3 billion as at December 31, 2025, 2024 and 2023 were charged in full in the period incurred (see Note 16).

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### 35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	<b>2025</b>	2024	2023
Noncash investing activities:			
Additions to investment properties and other properties acquired in settlement of loans	<b>P563,392,624</b>	P560,787,537	P654,419,110
Additions to ROU assets	<b>259,651,210</b>	282,902,827	313,175,775
Additions to PPE on account	<b>24,040,165</b>	-	-
Increase in sales contract receivables from sale of investment properties	<b>47,861,151</b>	57,832,282	108,020,017

The following table shows the reconciliation analysis of liabilities arising from financing activities for period ended December 31, 2025, 2024 and 2023:

	<b>2025</b>	2024	2023
Beginning balance	<b>P7,196,038,642</b>	P8,071,629,499	P7,933,164,363
Additions to lease liabilities	<b>246,777,776</b>	278,651,103	307,649,056
Interest accretion	<b>127,802,601</b>	84,791,505	68,831,053
Cash flows during the year:			
Proceeds	<b>22,961,241,094</b>	19,763,875,764	3,147,150,433
Settlements	<b>(11,967,292,157)</b>	(21,001,413,943)	(3,385,165,406)
Other adjustments	<b>(631,556)</b>	(1,495,286)	-
Ending balance	<b>P18,563,936,400</b>	P7,196,038,642	P8,071,629,499

Other adjustments pertain to reductions to lease liabilities due to pre-termination of lease contracts.

As allowed by PAS 7, short-term borrowings from other banks amounting to P5.1 billion, P13.3 billion, and P3.1 billion in 2025, 2024 and 2023, respectively, are presented in the statements of cash flows on a net basis. In 2025 and 2024, cash proceeds include issuance of bonds payable amounting to P17.8 billion and P6.5 billion, respectively. In 2025 and 2024, cash settlements include settlement of matured bonds amounting to P6.6 billion and P7.5 billion, respectively.

### 36. Earnings Per Share

Basic earnings per share amounts were computed as follows:

	<b>2025</b>	2024	2023
a. Net income	<b>P3,539,869,399</b>	P3,024,939,110	P2,802,219,175
b. Dividends on preferred shares*	<b>286,458,336</b>	242,916,668	187,916,668
c. Net income to equity holders of the Bank	<b>3,253,411,063</b>	2,782,022,442	2,614,302,507
d. Weighted average number of outstanding common shares	<b>1,403,013,920</b>	1,403,013,920	1,403,013,920
e. Basic earnings per share (c/d)	<b>P2.32</b>	P1.98	P1.86

\* potential dividends on preferred shares as these were not assumed to be converted.

Diluted earnings per share attributable to equity holders of the Bank were computed as follows:

	2025	2024	2023
a. Net income to equity holders of the Bank	<b>P3,539,869,399</b>	P3,024,939,110	P2,802,219,175
b. Weighted average number of outstanding common shares and dilutive preferred shares:			
Outstanding common shares*	<b>1,403,013,920</b>	1,403,013,920	1,403,013,920
Potential common shares from assumed conversion of preferred shares	<b>416,666,670</b>	416,666,670	416,666,670
c. Total weighted average common shares	<b>1,819,680,590</b>	1,819,680,590	1,819,680,590
d. Diluted earnings per share (a/c)	<b>P1.95</b>	P1.66	P1.54

### 37. Events after the Reporting Date

On February 24, 2026, the BOD approved the proposed increase in the Peso Bond Programme by P30.0 billion from P50.0 billion to P80.0 billion. The proceeds of the increase will be used for general corporate purposes, including refinancing of outstanding bonds.

### 38. Supplementary Information Required under Section 174 of the MORB

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074, *Amendment to Regulations on Financial Audit of Banks*.

#### Financial Performance Indicators

The following basic ratios measure the financial performance of the Bank:

	2025	2024	2023
Return on average equity	<b>10.14%</b>	9.44%	9.52%
Return on average assets	<b>1.28%</b>	1.22%	1.25%
Net interest margin on average earning assets	<b>4.35%</b>	4.17%	4.28%

#### Description of Capital Instruments Issued

##### ▪ Common Stock

As of December 31, 2025 and 2024, the Bank's common stock amounted to P14.0 billion representing 1,403,013,920 issued common shares.

- *Preferred Stock*

As of December 31, 2025 and 2024, the Bank's issued and outstanding preferred stock amounted to P4.2 billion representing 416,666,670 preferred shares. These preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders after 5 years from issue date, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of the Bank and subject to the other terms and conditions as may be fixed by the BOD, required under regulations, and to the extent permitted by applicable law.

*Significant Credit Exposures*

As at December 31, 2025 and 2024, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2025		2024	
	Amount	%	Amount	%
Electricity, gas, steam, and air-conditioning supply	<b>P45,099,782</b>	<b>27.9</b>	P45,497,015	33.6
Real estate activities	<b>30,722,470</b>	<b>19.0</b>	25,014,466	18.5
Construction	<b>13,355,410</b>	<b>8.3</b>	12,386,390	9.1
Manufacturing	<b>11,753,921</b>	<b>7.3</b>	11,196,631	8.3
Financial and insurance activities	<b>10,498,327</b>	<b>6.5</b>	7,176,445	5.3
Transportation and storage	<b>9,117,307</b>	<b>5.6</b>	2,874,147	2.1
Information and communication	<b>9,086,771</b>	<b>5.6</b>	5,792,384	4.3
Mining and quarrying	<b>8,306,988</b>	<b>5.1</b>	1,966,730	1.5
Wholesale and retail trade, repair of motor vehicles and motorcycles	<b>5,738,624</b>	<b>3.5</b>	7,043,723	5.2
Agriculture, forestry and fishing	<b>3,769,903</b>	<b>2.3</b>	3,871,709	2.8
Accommodation and food service activities	<b>3,122,000</b>	<b>1.9</b>	3,151,640	2.3
Water supply, sewerage, waste management and remediation activities	<b>1,254,677</b>	<b>0.8</b>	1,324,212	1.0
Administrative and support service activities	<b>310,777</b>	<b>0.2</b>	206,588	0.1
Others*	<b>9,670,451</b>	<b>6.0</b>	7,978,484	5.9
	<b>P161,807,408</b>	<b>100.0</b>	P135,480,564	100.0

\*Others include Professional Activities, Education, Personal Consumption and other various activities

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2025, the Bank does not have credit concentration in any particular industry that exceeds 30.0% of the total loan portfolio. As at December 31, 2024, the table above includes one industry group (electricity, gas, steam and air-conditioning supply) above the 30.0% of the total loan portfolio. However, the Bank has internal sub-classifications for renewable and non-renewable energy under electricity and power industry with separate limits (for renewable energy- 25.0% of the total loan portfolio, non-renewable energy- 30.0%). Existing exposures as at December 31, 2025 and 2024 for this industry are within the acceptable levels. As at December 31, 2025, existing exposures for renewable energy and non-renewable energy were at 11.9% and 16.0%, respectively, of the total loan portfolio. As at December 31, 2024, existing exposures for renewable energy and non-renewable energy were at 12.0% and 21.6%, respectively, of the total loan portfolio.

As at December 31, 2025, 10.0% of the Tier 1 capital amounted to P3.2 billion and the table in the previous page includes the ten industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Financial and insurance activities, Transportation and storage, Information and communication, Mining and quarrying, Wholesale and retail trade, repair of motor vehicles and motorcycles, and Agriculture, forestry and fishing) exceeding this level as of that date.

The table also includes the nine industry groups (Electricity, gas, steam and air-conditioning supply, Real estate activities, Construction, Manufacturing, Financial and insurance activities, repair of motor vehicles and motorcycles, Information and communications, Wholesale and retail trade, Agriculture, forestry and fishing and Accommodation and food service activities) above the 10.0% of Tier 1 capital (P3.0 billion) as at December 31, 2024.

The BROCOM and CRECOM constantly monitor these credit risk concentrations to ensure these are within the risk appetite of the Bank. Limits are set to allow SET to highlight any possible issues and to actively direct loans to preferred industries when faced with emerging concentration and potential industry decline.

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing 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, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

**Breakdown of Total Loans as to Security**

As at December 31, 2025 and 2024, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2025		2024	
	Amount	%	Amount	%
Loans secured by:				
Real estate	<b>P14,858,216</b>	<b>9.2</b>	P14,346,526	10.6
Security agreement	<b>14,393,603</b>	<b>8.9</b>	9,449,395	6.9
Deed of pledge	<b>10,862,419</b>	<b>6.7</b>	4,552,022	3.4
Deed of assignment	<b>10,520,115</b>	<b>6.5</b>	1,521,330	1.1
Deposit hold-out	<b>4,854,176</b>	<b>3.0</b>	4,968,854	3.7
Continuing surety agreement	<b>4,504,170</b>	<b>2.8</b>	4,761,602	3.5
Chattel	<b>2,902,114</b>	<b>1.8</b>	2,267,390	1.7
Corporate guaranty	<b>312,500</b>	<b>0.2</b>	1,079,000	0.8
Others*	<b>9,087,633</b>	<b>5.6</b>	11,525,917	8.5
	<b>72,294,946</b>	<b>44.7</b>	54,472,036	40.2
Unsecured	<b>89,512,462</b>	<b>55.3</b>	81,008,528	59.8
	<b>P161,807,408</b>	<b>100.0</b>	P135,480,564	100.0

\*Others include post-dated checks and various collaterals on omnibus loan and security agreement

Breakdown of Total Loans as to Status

As at December 31, 2025 and 2024, the breakdown of receivables from customers (net of unearned interest income) as to status, is as follows (amounts in thousands):

	December 31, 2025		
	Performing	Non-performing	Total
Corporate	P137,498,016	P1,065,291	P138,563,307
Consumers	18,569,602	833,337	19,402,939
Credit card	1,840,080	321,331	2,161,411
Others	1,596,101	507	1,596,608
	<b>P159,503,799</b>	<b>P2,220,466</b>	<b>P161,724,265</b>

	December 31, 2024		
	Performing	Non-performing	Total
Corporate	P116,539,281	P756,163	P117,295,444
Consumers	14,762,658	644,052	15,406,710
Credit card	1,537,700	248,451	1,786,151
Others	879,277	45,624	924,901
	<b>P133,718,916</b>	<b>P1,694,290</b>	<b>P135,413,206</b>

As at December 31, 2025 and 2024, the NPLs of the Bank, as reported to BSP, are as follows (in thousands):

	2025	2024
Gross NPLs	<b>P2,220,466</b>	P1,694,290
Less deductions as required by BSP	<b>1,187,502</b>	1,027,873
Net NPLs	<b>P1,032,964</b>	P666,417

Gross and net NPL ratios of the Bank are 1.33% and 0.62%, respectively, as at December 31, 2025 and 1.25% and 0.49%, respectively, as at December 31, 2024.

As at December 31, 2025 and 2024, restructured loans amounted to P1.0 billion and P0.9 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2025 and 2024, restructured receivables from customers considered as NPLs amounted P852.0 million and P668.2 million, respectively.

Information on Related Party Loans

Except with the prior approval of the MB, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100.0% of net worth whichever is lower provided that in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30.0% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank provided that the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5.0% of such net worth provided that the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank provided that these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands, except percentages):

	2025		2024	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P -	<b>P67,949,007</b>	P59	P52,840,911
Percent of DOSRI/Related Party loans to total loans	<b>0.00%</b>	<b>40.60%</b>	0.00%	38.98%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	<b>0.00%</b>	<b>22.90%</b>	0.00%	26.02%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	<b>0.00%</b>	<b>0.01%</b>	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	<b>0.00%</b>	<b>0.54%</b>	0.00%	0.26%

#### Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2025 and 2024:

	2025	2024
Contingent assets:		
Future/spot exchange bought	<b>P1,257,580,329</b>	P3,412,855,000
Fixed income securities purchased	<b>2,574,327</b>	25,619,362
	<b>P1,260,154,656</b>	P3,438,474,362
Commitments and contingent liabilities:		
Trust department accounts	<b>P68,650,340,458</b>	P72,409,641,964
Committed credit line	<b>17,379,461,505</b>	15,658,499,835
Unused commercial letters of credit	<b>6,614,545,656</b>	10,207,552,133
Credit card lines	<b>4,427,078,211</b>	3,866,333,335
Outstanding guarantees	<b>2,509,497,648</b>	2,229,592,892
Future/spot exchange sold	<b>1,837,127,054</b>	3,962,382,500
Inward Bills for Collection-Domestic	<b>197,314,203</b>	1,272,590
Retirement obligations	<b>166,555,598</b>	154,519,260
Fixed income securities sold	<b>2,574,326</b>	25,619,362
Late deposits/payments received	<b>632,179</b>	59,173,307
Items held for safekeeping/securities held as collateral	<b>58,653</b>	64,100
	<b>P101,785,185,491</b>	P108,574,651,278

Retirement obligations pertain to the estimated impact of the amendments to the Bank's retirement plan on past service cost, subject to certain conditions.

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

#### Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2025 and 2024.

#### Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P68.7 billion and P72.4 billion based on audit balances as at December 31, 2025 and 2024, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P770.0 million as at December 31, 2025 and 2024, which have been included under "Investment securities at amortized cost" (see Note 11), are deposited with BSP.

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### **39. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010**

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in a note to the separate financial statements. The Bank presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

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

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**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and the Stockholders**

**Bank of Commerce**  
San Miguel Properties Centre  
No. 7 St. Francis Street  
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Commerce (hereinafter referred to as the Bank) for the year ended December 31, 2025, on which we have rendered our report dated March 31, 2026. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). Such supplementary information is the responsibility of the Bank's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**



**By: Maria Isabel E. Comedia**  
Partner

CPA Reg. No. 0092966  
TIN 189-477-563  
PTR No. 10770756, January 6, 2026, Makati City  
SEC Group A Accreditation  
Partner - No. 92966-SEC (until financial period 2027)  
Firm - No. 0002 (until financial period 2030)  
BIR AN 08-002551-021-2025 (until August 6, 2028)  
BOA/PRC Cert. of Reg. No. 0002/P-005 (until August 12, 2027)

March 31, 2026

**BANK OF COMMERCE  
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR  
FEE-RELATED INFORMATION  
DECEMBER 31, 2025**

	2025	2024
Audit services fees:		
Bank Proper December audit	P4,472,727	P3,680,000
Trust audit	1,415,000	1,413,500
Additional fee for 2023 Trust audit	-	585,000
<b>Total Audit Fees</b>	<b>5,887,727</b>	<b>5,678,500</b>
Non-audit services fees:		
Other assurance services	-	2,035,000
Tax services	-	-
All other services	-	-
<b>Total Non-audit Fees</b>	<b>-</b>	<b>2,035,000</b>
<b>Total Audit and Non-audit Fees</b>	<b>P5,887,727</b>	<b>P7,713,500</b>

**Audit and Non-audit Fees of other related entities**

	2025	2024
Audit fees	P -	P -
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
<b>Total Non-audit Fees</b>	<b>-</b>	<b>-</b>
<b>Total Audit and Non-audit Fees</b>	<b>P -</b>	<b>P -</b>

## **BANK OF COMMERCE**

### **SUPPLEMENTARY SCHEDULES REQUIRED BY SRC RULE 68 DECEMBER 31, 2025**

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

#### **PART I**

- Schedule A: Schedule of Financial Soundness Indicators
- Schedule B: Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule C: Relationship Map

#### **PART II (Schedules Required by Annex 68-J of the Revised SRC Rule 68)**

- Schedule A: Financial Assets
- Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- Schedule C: Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
- Schedule D: Long-Term Debt
- Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)
- Schedule F: Guarantees of Securities of Other Issuers
- Schedule G: Capital Stock

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**BANK OF COMMERCE**  
**AS OF DECEMBER 31, 2025**

Ratio	Formula	Ratio			
		2025	2024		
Current Ratio	Total current assets	<u>102,138,792,190</u>	0.44	<u>129,064,893,601</u>	0.56
	Total current liabilities	<u>231,416,538,530</u>		<u>231,167,878,978</u>	
Acid Test Ratio	Total current financial assets	<u>98,880,831,742</u>	0.43	<u>126,138,394,041</u>	0.55
	Total current liabilities	<u>231,416,538,530</u>		<u>231,167,878,978</u>	
Solvency Ratio	Net income before non-cash expenses	<u>4,739,470,633</u>	0.02	<u>3,883,116,381</u>	0.02
	Total liabilities	<u>250,275,495,147</u>		<u>232,209,999,804</u>	
Debt to Equity Ratio	Total liabilities	<u>250,275,495,147</u>	6.84	<u>232,209,999,804</u>	6.99
	Total equity	<u>36,578,036,378</u>		<u>33,230,067,251</u>	
Asset to Equity Ratio	Total assets	<u>286,853,531,525</u>	7.84	<u>265,440,067,055</u>	7.99
	Total equity	<u>36,578,036,378</u>		<u>33,230,067,251</u>	
Interest Rate Coverage Ratio	Net Income before interest and taxes	<u>9,346,302,372</u>	2.06	<u>7,995,617,620</u>	1.97
	Interest expense	<u>4,539,175,296</u>		<u>4,052,910,214</u>	
Return on Equity	Net income	<u>3,539,869,399</u>	10.14%	<u>3,024,939,110</u>	9.44%
	Average total equity	<u>34,904,051,815</u>		<u>32,040,670,072</u>	
Return on Asset	Net income	<u>3,539,869,399</u>	1.28%	<u>3,024,939,110</u>	1.22%
	Average total assets	<u>276,146,799,290</u>		<u>248,554,023,063</u>	
Net Profit Margin	Net income	<u>3,539,869,399</u>	28.08%	<u>3,024,939,110</u>	28.12%
	Total revenues	<u>12,608,513,420</u>		<u>10,756,373,898</u>	
<b>OTHER RATIOS</b>					
Net Interest Margin	Net interest income	<u>10,778,373,447</u>	4.35%	<u>9,110,929,745</u>	4.17%
	Average interest-earning assets	<u>247,579,031,752</u>		<u>218,747,727,360</u>	
Cost to Income Ratio	Total operating expense	<u>7,418,344,519</u>	0.59	<u>6,673,643,458</u>	0.62
	Operating Income	<u>12,608,513,420</u>		<u>10,756,373,898</u>	
Capital Adequacy Ratio	Total qualifying capital	<u>34,039,523,490</u>	16.48%	<u>30,984,687,774</u>	17.58%
	Total risk-weighted assets	<u>206,578,098,498</u>		<u>176,282,852,171</u>	
Debt to Assets Ratio	Total Liabilities	<u>250,275,495,147</u>	0.87	<u>232,209,999,804</u>	0.87
	Total Assets	<u>286,853,531,525</u>		<u>265,440,067,055</u>	
Loans to Deposit Ratio	Total gross loans*	<u>167,365,923,291</u>	0.75	<u>135,551,757,906</u>	0.64
	Total deposits	<u>223,314,116,398</u>		<u>212,007,957,883</u>	
Non-performing Loans Cover	Allowance for credit losses on loans	<u>1,842,442,826</u>	82.98%	<u>1,651,406,599</u>	97.47%
	Non-performing loans	<u>2,220,465,505</u>		<u>1,694,290,396</u>	
Non-performing Loans Ratio**	Non-performing loans	<u>2,220,465,505</u>	1.33%	<u>1,694,290,396</u>	1.25%
	Total gross loans	<u>167,365,923,291</u>		<u>135,551,757,906</u>	
Net non-performing loans ratio**	Net non-performing loans	<u>1,032,963,664</u>	0.62%	<u>666,417,434</u>	0.49%
	Total gross loans	<u>167,365,923,291</u>		<u>135,551,757,906</u>	

\*Gross loans include receivables from customers (loans), interbank loans receivable and securities purchased under resale agreements.

\*\*Computed based on BSP Circular 941

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2025**

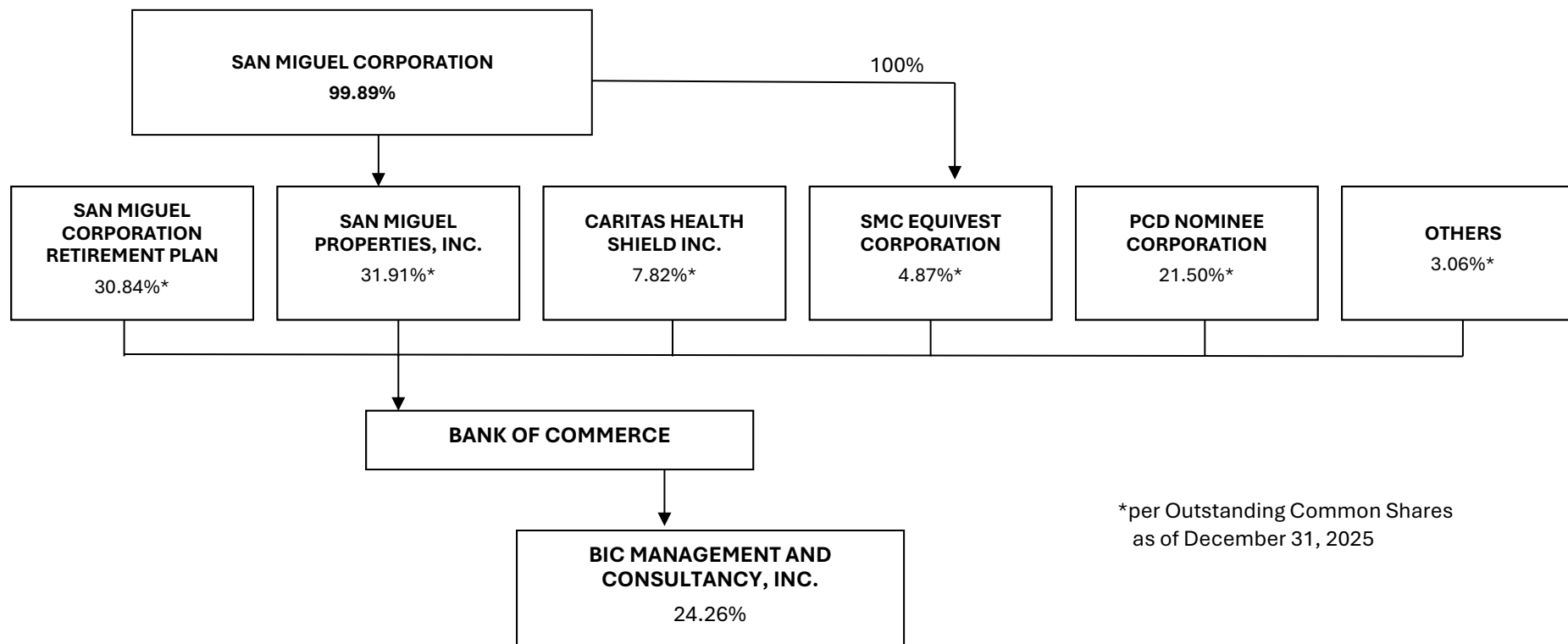
**BANK OF COMMERCE**

San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City

<b>Unappropriated Retained Earnings, beginning of reporting period</b>		<b>P4,514,197,356</b>
<b>Add: Category A: Items that are directly credited to Unappropriated Retained Earnings</b>		
Transfer of gain on equity securities at FVOCI realized through disposal	P15,282,401	<b>15,282,401</b>
<b>Less: Category B: Items that are directly debited to Unappropriated Retained Earnings</b>		
Dividend declaration during the reporting period	(851,356,266)	
Retained earnings appropriated during the reporting period	(414,746,063)	<b>(1,266,102,329)</b>
<b>Unappropriated Retained Earnings, as adjusted</b>		<b>3,263,377,428</b>
<b>Add: Net income for the current year</b>		<b>3,539,869,399</b>
<b>Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(373,994,842)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	(48,763,300)	
Unrealized fair value gain of Investment Property	(76,991,164)	
Sub-total		<b>(499,749,306)</b>
<b>Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)</b>		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	222,451,145	
Reversal of previously fair value gain of Investment Property	154,812,537	
Sub-total		<b>377,263,682</b>
<b>Adjusted Net Income</b>		<b>3,417,383,775</b>
<b>Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution</b>		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(16,296,259)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	(6,058,686)	
Sub-total		<b>(22,354,945)</b>
<b>Total Retained Earnings, end of reporting period available for dividend</b>		<b>P6,658,406,258</b>

**BANK OF COMMERCE**

**RELATIONSHIP MAP  
DECEMBER 31, 2025**



## BANK OF COMMERCE

**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2025**  
(in thousands)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amounts Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
<b>Financial Assets at Fair Value through Profit of Loss</b>				
Philippine government	P4,659,357	P4,793,834	P4,793,834	P268,401
Other government	346,185	339,164	339,164	17,314
Derivatives	-	36,710	36,710	-
		<b>P5,169,708</b>	<b>P5,169,708</b>	<b>P285,715</b>
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>				
Philippine government	P33,751,380	P34,793,434	P34,793,434	P1,516,713
Equity securities	159	224,877	224,877	2,661
		<b>P35,018,311</b>	<b>P35,018,311</b>	<b>P1,519,374</b>
<b>Investment Securities at Amortized Cost</b>				
Philippine government	P33,548,587	P34,187,597	P34,106,178	P1,574,877
Other government	5,291,100	5,287,582	5,287,308	180,871
Private corporations	1,804,970	1,895,896	1,806,596	67,861
		<b>P41,371,075</b>	<b>P41,200,082</b>	<b>P1,823,609</b>

**BANK OF COMMERCE****SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND  
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)  
DECEMBER 31, 2025**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Year</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Written Off</b>	<b>Current</b>	<b>Not Current</b>	<b>Ending Balance</b>
<b>NONE TO REPORT</b> <i>Indebtedness arise in the ordinary course of business.</i>							

**BANK OF COMMERCE****SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED  
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Period</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Written Off</b>	<b>Current</b>	<b>Not Current</b>	<b>Balance at End of Period</b>
<b>NONE TO REPORT</b>							
<i>Financial statements are not for consolidation.</i>							

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## BANK OF COMMERCE

SCHEDULE D - LONG-TERM DEBT  
DECEMBER 31, 2025

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption “Current Portion of Long-Term Debt” in Related Balance Sheet	Amount Shown under Caption “Long-Term Debt” in Related Balance Sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
<b>Bonds payable</b>						
Bonds Payable – Fixed Rate Bonds	P10,006,850,000	P -	P9,952,138,980	6.1942%	Quarterly interest payment	February 19, 2027
Bonds Payable – Fixed Rate Bonds	7,993,150,000	P -	7,928,861,891	6.3494%	Quarterly interest payment	May 19, 2030

**BANK OF COMMERCE**

**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES  
(LONG TERM LOANS FROM RELATED COMPANIES)  
DECEMBER 31, 2025**

<b>Name of Related Parties</b>	<b>Balance at Beginning of Year</b>	<b>Balance at End of Year</b>	<b>Nature, Terms and Conditions</b>
<b>NONE TO REPORT</b>			
<i>No long term loans from related companies.</i>			

**BANK OF COMMERCE****SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS  
DECEMBER 31, 2025**

<b>Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed</b>	<b>Title of Issue of Each Class of Securities Guaranteed</b>	<b>Total Amount of Guaranteed and Outstanding</b>	<b>Amount Owned by Person of which Statement is Filed</b>	<b>Nature of Guarantee</b>
<b>NONE TO REPORT</b> <i>No securities were guaranteed.</i>				

## BANK OF COMMERCE

SCHEDULE G - CAPITAL STOCK  
DECEMBER 31, 2025

<b>Title of Issue</b>	<b>Number of Shares Authorized</b>	<b>Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption</b>	<b>Number of Shares Reserved for Options, Warrants, Conversion and Other Rights</b>	<b>Number of Shares Held by Related Parties*</b>	<b>Directors, Officers and Employees</b>	<b>Others</b>
Common shares	1,702,511,470	1,403,013,920	-	1,060,517,880	558,530	341,937,510
Preferred Shares	455,000,000	416,666,670	416,666,670	416,666,670	-	-

\* Include shares held by Principal/Substantial Stockholders  
Required information is disclosed in Note 24: Capital Stock