



May 14, 2026

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12/F, SEC Headquarters
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Mesdames / Gentlemen:

We are pleased to furnish you with a copy of SEC Form 17-Q report of Security Bank Corporation as of and for the period ended March 31, 2026.

We hope we have complied with your requirements.

Very truly yours,


ALLEN ALEXANDER P. REYES
Chief Financial Officer 

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2026**

2. Commission identification number **6030**

3. BIR Tax Identification No. **000-498-020**

4. Exact name of issuer as specified in its charter - **SECURITY BANK CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization - **Philippines**

6. Industry Classification Code: (SEC Use Only)

7. **Security Bank Centre, 6776 Ayala Avenue, Makati City**
Address of issuer's principal office

0719
Postal Code

8. **(632) 8867-6788**
Issuer's telephone number, including area code

9. **Not applicable**
Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares (Php 10 par)	Total: 753,538,887 shares
Preferred Shares (Php 0.10 par) (Unregistered)	Total: 1,000,000,000 shares
.....	
.....	

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []]

Preferred Shares are not listed

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

Common Stock

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Attached are the following:

Unaudited Interim Statements of Financial Position	- Annex "1"
Unaudited Interim Statements of Income	- Annex "2"
Unaudited Interim Statements of Comprehensive Income	- Annex "3"
Unaudited Interim Statements of Changes in Equity	- Annex "4"
Unaudited Interim Statements of Cash Flows	- Annex "5"
Notes to Unaudited Interim Condensed Financial Statements	- Annex "6"
Aging of Loans and Receivables	- Annex "7"
Financial Soundness Indicators	- Annex "8"

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations



- Annex "9"

PART II – OTHER INFORMATION

There are no material disclosures that have not been reported under SEC Form 17C during the period covered by this report.

SIGNATURES

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


Allen Alexander P. Reyes
Chief Financial Officer


Date: May 14, 2026

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	March 31, 2026	December 31, 2025
	(Amounts in Thousands)	
ASSETS		
Cash and Other Cash Items	₱12,813,729	₱15,555,919
Due from Bangko Sentral ng Pilipinas	12,050,573	26,584,514
Due from Other Banks	25,703,515	16,433,925
Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas (Note 18)	60,526,981	28,646,981
Financial Assets at Fair Value through Profit or Loss (Note 7)	30,834,240	37,871,444
Derivative Assets Designated as Hedges (Note 8)	128,062	289,844
Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	168,094,155	157,668,980
Investment Securities at Amortized Cost (Note 10)	171,500,056	158,371,675
Loans and Receivables	679,443,640	696,637,540
Investment in Joint Ventures and an Associate	16,647,058	16,366,672
Property, Equipment and Right-of-Use-Assets	10,210,808	9,662,507
Investment Properties	7,406,505	7,126,743
Deferred Tax Assets	8,032,007	7,795,544
Goodwill (Note 3)	841,602	841,602
Intangible Assets	8,585,562	8,293,772
Other Assets	7,534,781	6,611,591
TOTAL ASSETS	₱1,220,353,274	₱1,194,759,253
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	₱311,231,672	₱304,201,099
Savings	166,787,208	155,108,529
Time	459,962,907	471,193,086
	937,981,787	930,502,714
Financial Liabilities at Fair Value through Profit or Loss (Note 7)	4,743,284	1,407,466
Derivative Liabilities Designated as Hedges (Note 8)	-	3,625,886
Bills Payable and Securities Sold Under Repurchase Agreements (Note 12)	22,877,380	6,168,985
Acceptances Payable	1,708,473	640,228
Margin Deposits and Cash Letters of Credit	2,710,050	2,762,100
Manager's and Certified Checks Outstanding	5,777,461	5,900,819
Income Tax Payable	66,778	48,594
Notes and Bonds Payable (Note 13)	64,806,766	64,001,309
Accrued Interest, Taxes and Other Expenses	6,421,600	5,199,651
Other Liabilities	19,779,440	20,271,673
TOTAL LIABILITIES	1,066,873,019	1,040,529,425
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital stock (Note 14)	7,635,389	7,635,389
Additional paid-in capital (Note 14)	38,524,323	38,524,323
Surplus	115,959,450	113,260,939
Net unrealized loss on financial assets at fair value through other comprehensive income	(8,533,987)	(3,993,621)
Net unrealized gain on subsidiaries and associate' financial assets at fair value through other comprehensive income	134,371	171,061
Cumulative foreign currency translation	(236,831)	(169,945)
Cost of hedging reserve (Note 8)	(2,460)	(1,198,318)
TOTAL EQUITY	153,480,255	154,229,828
TOTAL LIABILITIES AND EQUITY	₱1,220,353,274	₱1,194,759,253

See accompanying Notes to Interim Condensed Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF INCOME

	Quarter Ended March 31	
	2026	2025
	(Amounts in Thousands)	
INTEREST INCOME ON		
Loans and receivables	₱14,722,473	₱13,909,876
Financial assets at fair value through other comprehensive income and investment securities at amortized cost	4,475,230	4,081,044
Financial assets at fair value through profit or loss	450,408	213,624
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	235,092	365,472
Deposits with banks and others	40,809	75,919
	19,924,012	18,645,935
INTEREST EXPENSE ON		
Derivatives designated as hedges (Note 8)	1,932,389	3,340,052
Deposit liabilities (Note 11)	1,503,000	1,745,112
Notes and bonds payable, bills payable and securities sold under repurchase agreements and other borrowings (Notes 12 and 13)	1,169,507	1,617,093
Derivative instruments	112,305	25,962
Lease liabilities	45,377	36,383
	4,762,578	6,764,602
NET INTEREST INCOME		
	15,161,434	11,881,333
Service charges, fees and commissions	2,061,904	2,155,814
Rent	408,367	329,543
Share in net income (loss) of joint ventures and an associate	316,371	(22,806)
Profit from assets sold/exchanged	19,898	102,935
Trading and securities gain (loss) - net	(712,477)	165,823
Foreign exchange gain (loss) - net	(977,547)	145,778
Miscellaneous	749,958	653,840
TOTAL OPERATING INCOME	17,027,908	15,412,260
OPERATING EXPENSES		
Provision for credit losses	3,880,159	2,377,575
Compensation and fringe benefits	3,357,327	3,326,320
Taxes and licenses	1,175,138	1,161,144
Depreciation and amortization	919,136	762,925
Amortization of software costs	306,844	279,348
Occupancy costs	117,785	127,429
Miscellaneous	3,641,065	3,680,503
TOTAL OPERATING EXPENSES	13,397,454	11,715,244
INCOME BEFORE INCOME TAX	3,630,454	3,697,016
PROVISION FOR INCOME TAX	926,244	875,864
NET INCOME	₱2,704,210	₱2,821,152
Weighted average number of outstanding common shares*	753,538,887	753,538,887
Basic/Diluted Earnings Per Share* (Note 17)	₱3.58	₱3.74

*In absolute amounts

See accompanying Notes to Interim Condensed Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Quarter Ended March 31	
	2026	2025
	(Amounts in Thousands)	
NET INCOME FOR THE PERIOD	₱2,704,210	₱2,821,152
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items to be Reclassified to Profit or Loss in Subsequent Periods:</i>		
Cumulative translation adjustments	(66,886)	35,991
Changes in cost of hedging reserve, net of tax		
Fair value loss for the year	(253,433)	(2,813,818)
Loss taken to profit or loss	1,449,291	2,505,039
Changes in cash flow hedge reserve, net of tax		
Fair value gain (loss) for the year	667,099	(2,565,516)
Amount recycled to profit or loss	(667,099)	2,565,516
Change in net unrealized gain (loss) on debt instruments at fair value through other comprehensive income, net of tax	(4,546,826)	1,292,755
Share in changes in fair value of financial assets at FVOCI of an associate	(35,984)	–
	(3,453,838)	1,019,967
<i>Items not to be Reclassified to Profit or Loss in Subsequent Periods:</i>		
Revaluation gain (loss) on equity instruments at fair value through other comprehensive income	6,460	(10,066)
Share in changes in other comprehensive income of subsidiaries		
Revaluation gain (loss) on equity instruments at fair value through other comprehensive income	(706)	2,101
	5,754	(7,965)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(3,448,084)	1,012,002
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱743,874)	₱3,833,154
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	(₱743,874)	₱3,833,154
Non-controlling interest	–	–
	(₱743,874)	₱3,833,154

See accompanying Notes to Interim Condensed Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 14)	Additional Paid-In Capital (Note 14)	Surplus	Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income (Loss)	Net Unrealized Gain on Subsidiaries' and Associate's Financial Assets at Fair Value through Other Comprehensive Income	Cumulative Foreign Currency Translation	Cost of Hedging Reserve (Note 8)	Total Equity
(Amounts in Thousands)								
Balance at January 1, 2026	₱7,635,389	₱38,524,323	₱113,260,939	(₱3,993,621)	₱171,061	(₱169,945)	(₱1,198,318)	₱154,229,828
Total comprehensive income (loss) for the period	–	–	2,704,210	(4,540,366)	(36,690)	(66,886)	1,195,858	(743,874)
Declaration of cash dividends	–	–	(5,699)	–	–	–	–	(5,699)
Balance at March 31, 2026	₱7,635,389	₱38,524,323	₱115,959,450	(₱8,533,987)	₱134,371	(₱236,831)	(₱2,460)	₱153,480,255
Balance at January 1, 2025	₱7,635,389	₱38,524,323	₱104,155,854	(₱7,474,013)	₱22,787	(₱129,650)	(₱1,597,138)	₱141,137,552
Total comprehensive income for the period	–	–	2,821,152	1,282,689	2,101	35,991	(308,779)	3,833,154
Declaration of cash dividends	–	–	(1,136,008)	–	–	–	–	(1,136,008)
Balance at March 31, 2025	₱7,635,389	₱38,524,323	₱105,840,998	(₱6,191,324)	₱24,888	(₱93,659)	(₱1,905,917)	₱143,834,698

SECURITY BANK CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2026	2025
	(Amounts in Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,630,454	₱3,697,016
Adjustments for:		
Amortization of cost of hedging	1,932,389	3,340,052
Provision for credit losses	3,880,159	2,377,575
Depreciation and amortization	919,136	762,925
Amortization of software costs	306,844	279,348
Amortization of transaction costs on LTNCD, notes and bonds payable, and lease liabilities (Notes 11 and 13)	75,261	65,697
Loss on redemption of investment securities at amortized cost	–	7
Amortization of premium (discount) on financial assets at fair value through other comprehensive income and investment securities at amortized cost	(5,160)	171,858
Profit from assets sold/exchanged	(19,898)	(102,935)
Gain on disposal of financial assets at FVTOCI	(65,797)	(56,117)
Share in net income (loss) of joint ventures and an associate	(316,371)	22,806
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Loans and receivables	12,474,757	28,879,146
Financial assets at fair value through profit or loss	7,037,204	(3,814,119)
Derivative assets designated as hedges	72,461	634,802
Interbank loans receivable (Note 18)	19,986	959,449
Due from other banks (Note 18)	(2,171)	(196)
Other assets	(1,021,536)	947,366
Increase (decrease) in the amounts of:		
Deposit liabilities	7,479,074	46,037,451
Financial liabilities at fair value through profit or loss	3,335,818	169,036
Acceptances payable	1,068,244	(976,921)
Accrued interest, taxes and other expenses	1,221,949	201,126
Margin deposits and cash letters of credit	(52,050)	4,491
Manager's and certified checks outstanding	(123,358)	842,653
Derivative liabilities designated as hedges	(3,874,476)	1,746,951
Other liabilities	(297,943)	(145,703)
Net cash provided by operations	37,674,976	86,043,764
Income taxes paid	(1,369,919)	(989,912)
Net cash provided by operating activities	36,305,057	85,053,852
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of/Additions to:		
Financial assets at FVTOCI	(61,207,972)	(579,829)
Investment securities at amortized cost	(21,089,353)	(8,281,809)
Property and equipment	(1,078,534)	(612,702)
Software costs	(606,117)	(793,964)
Proceeds from:		
Disposals, redemptions or maturities of financial assets at FVTOCI	45,526,156	7,821,910
Redemptions or maturities of investment securities at amortized cost	7,504,501	4,191,749
Disposal of investment properties and other properties acquired	558,376	331,047
Disposal of property and equipment	77,198	161,961
Net cash provided by (used in) investing activities	(30,315,745)	2,238,363

(Forward)

Three Months Ended March 31

	2026	2025
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlements of:		
Bills payable and securities sold under repurchase agreements	(₱3,037,719)	(₱102,299,878)
Notes and bonds maturity	–	(18,500,000)
LTNCD maturity	–	(6,060,000)
Proceeds from:		
Bills payable and securities sold under repurchase agreements	19,651,143	54,658,602
Payments of lease liabilities	(593,420)	(1,067,750)
Cash dividends paid	(1,920)	(2,607)
Net cash provided by (used in) financing activities	16,018,084	(73,271,633)
Effect of exchange rate differences	1,884,725	1,716,281
NET INCREASE IN CASH AND CASH EQUIVALENTS	₱23,892,121	₱15,736,863
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	₱15,555,919	₱13,165,055
Due from Bangko Sentral ng Pilipinas	26,584,514	35,104,831
Due from other banks	16,433,925	15,370,541
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	27,100,000	6,893,615
	85,674,358	₱70,534,042
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	₱12,813,729	₱12,016,706
Due from BSP	12,050,573	19,364,557
Due from other banks	25,703,515	35,839,643
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	58,998,662	19,049,999
	₱109,566,479	₱86,270,905
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	₱19,796,927	₱19,491,124
Interest paid	4,157,244	7,276,432

See accompanying Notes to Interim Condensed Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

1. Corporate Information

Security Bank Corporation (the Parent Company) is a domestic corporation registered with the Securities and Exchange Commission (SEC) in 1951 and was listed in the Philippine Stock Exchange (PSE) in 1995. The Parent Company's head office is located at Security Bank Centre, 6776 Ayala Avenue, Makati City.

The Parent Company was incorporated on May 8, 1951 and started its operations as a commercial bank on June 18, 1951. On May 30, 2000, the Board of Directors (BOD) of the Parent Company approved its Amended Articles of Incorporation to extend the corporate term of the Parent Company, which expired on May 8, 2001, for another 50 years. On February 19, 2001, the SEC approved such amendment.

With the effectivity of Section 11 of Republic Act (RA) No. 11232, otherwise known as the "Revised Corporation Code of the Philippines" on February 23, 2019, corporations existing before its enactment are deemed to have perpetual term. Accordingly, the Parent Company's corporate term is considered perpetual.

In 1994, the Parent Company was approved by the Bangko Sentral ng Pilipinas (BSP) to operate as a universal bank, allowing it to expand its financial services and revenue sources.

The Parent Company provides expanded commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. In addition, the Parent Company is licensed to engage in financial derivatives to service the requirements of its customers and as a means of reducing and managing the Parent Company's foreign exchange and interest rate exposures.

The Parent Company and its subsidiaries, joint ventures, and associate (collectively referred to as the "Group"), which are all incorporated in the Philippines, are engaged in the following businesses:

Subsidiaries, Joint Ventures and an Associate	Principal place of business	Line of Business	Effective Percentage of Ownership	
			March 31, 2026	December 31, 2025
Security Bank Capital Investment Corporation (formerly SB Capital Investment Corporation) ¹	18 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Investment house	100.00	100.00
SB Equities, Inc. (SBEI)	18 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Stock brokerage	100.00	100.00
SB Rental Corporation (SBRC)	4 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Rental/Leasing	100.00	100.00
SB Cards Corporation (SBCC) ²	Diners Club Center, 114 Valero St. Salcedo Village, Makati City	Credit card operations	100.00	100.00
Security Finance and Leasing Inc. (SFLI) (formerly Landlink Property Investments (SPV-AMC), Inc. (LPII)) ³	Security Bank Centre, 6776 Ayala Avenue, Makati City	Financing	100.00	100.00
SB Forex, Incorporated (SBFI) ⁴	Security Bank Centre, 6776 Ayala Avenue, Makati City	Foreign exchange services	100.00	100.00
SBM Leasing, Inc. (SBML) ⁵	4 th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Financing	60.00	60.00
SB Finance, Inc. (SBF) (formerly SB Finance Company, Inc.) ⁵	851 Keyland Arnaiz South Building, Antonio Arnaiz Avenue, San Lorenzo, Makati City, 1223	Financing	49.96	49.96
Mitsubishi Motors Finance Philippines Inc. (MMFP) ⁶	6797 Ayala Avenue, Makati City	Financing	49.00	49.00
HC Consumer Finance Philippines, Inc. (HCPH) ⁷	14 th , 15 th and 20 th floor Ore Central, 31 st St cor. 9 th Ave Bonifacio Global City Taguig City	Financing	25.00	25.00

¹ With SEC approval on November 12, 2024 to change corporate name

² Corporate term ended on December 31, 2024, for processing of tax clearance

³ With BOD approval in 2024 to shorten corporate life on December 31, 2025, awaiting approval from SEC

⁴ Corporate term ended February 28, 2022, with clearance from BIR dated February 4, 2026

⁵ Joint Ventures

⁶ Joint Venture. Incorporated on January 21, 2025

⁷ Associate

The Parent Company is the ultimate parent company of the Group.

On April 8, 2024, the Executive Committee as delegated by the BOD of the Parent Company, approved a joint venture agreement with Mitsubishi Motors Corporation (Mitsubishi Motors) of Japan. The agreement establishes Mitsubishi Motors Finance Philippines Inc. (MMFP) and provides for a capital injection totaling to ₱4.0 billion, to be paid in tranches. Pursuant to the agreement, the Parent Company holds a 49.0% ownership stake in MMFP, while Mitsubishi Motors holds a 51.0% ownership stake. On November 26, 2024, upon fulfillment of certain closing conditions, the Parent Company paid the first tranche of capital injection amounting to ₱1.25 billion. MMFP was incorporated on January 21, 2025 and started commercial operations in April 2025.

On May 2, 2025, the Bank completed its acquisition of a 25.0% stake in HC Consumer Finance Philippines, Inc. (HCPH), also known as Home Credit Philippines, from MUFG Bank Ltd. (MUFG). The transaction was executed for a base price of ₱10.4 billion, with an additional adjustment of ₱1.2 billion finalized on August 28, 2025. This brought the total consideration to ₱11.6 billion, reflecting the change in HCPH's net asset value between December 31, 2023 and April 30, 2025. The Bank of Ayudhya Public Company Ltd. (Krungsri), a subsidiary of MUFG, retained a 75% ownership stake, maintaining the majority shareholder. The acquisition has received clearance from the BSP.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying interim condensed financial statements include the financial statements of the Parent Company and its subsidiaries.

The accompanying interim condensed financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL), financial assets at Fair Value through Other Comprehensive Income (FVTOCI) and derivative assets and liabilities designated as hedges that have been measured at fair value. The financial statements are presented in Philippine Peso and all values are rounded to the nearest thousand peso (₱000) except when otherwise indicated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine Peso, which is the Parent Company's presentation currency. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

The interim condensed financial statements provide comparative information in respect of the previous period.

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. The functional currency of each of the Parent Company's subsidiaries is the Philippine Peso.

Explanatory Comments about the Seasonality or Cyclicity of Interim Operations

Seasonality or cyclicity of interim operations is not applicable to the Group's type of business.

Statement of Compliance

The accompanying interim condensed financial statements as of and for the three months ended March 31, 2026 have been prepared in compliance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed financial statements do not include all of the information and disclosures required in the annual financial statements and should

be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2025.

Basis of Consolidation

The consolidated financial statements of the Group are prepared for the same reporting period as the subsidiaries, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with those used by the Group. All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full at consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2025, except for the adoption of amended standards effective as of January 1, 2026.

The adoption of the following amendments did not have a significant impact on the interim condensed financial statements of the Group:

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

3. Goodwill

Impairment Testing of Goodwill

In 2012, goodwill acquired through business combination has been allocated to Security Bank Savings (SBS) as the cash-generating unit (CGU). In 2015, the entire goodwill was reallocated to the branch banking group (BBG) as a result of the integration of SBS to the Parent Company. As of March 31, 2026 and December 31, 2025, the carrying amount of goodwill amounted to ₱841.6 million and there was no impairment loss recognized for the three months ended March 31, 2026 and 2025. The last impairment test was carried out as of December 31, 2025.

The recoverable amount of the CGU has been determined based on a value in use (VIU) calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experiences and strategies developed and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to a comparable entity. In 2025, the pre-tax discount rate applied to cash flow projections is 11.54% while the growth rate used to extrapolate cash flows beyond the three-year period is 5.00%.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

4. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS Accounting Standards requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. Financial Risk Management

There have been no significant changes in the financial risk exposures or management since the December 31, 2025 financial statements. The risk disclosures provided in the Group's annual financial statements as of and for the year ended December 31, 2025 remain relevant.

Introduction

Integral to the Parent Company's value creation process is risk management. It therefore operates based on an Enterprise Risk Management (ERM) Framework to address the risks it faces in its banking activities, including (a) credit; (b) liquidity; (c) market; (d) operational; and (e) sustainability. Exposures across these risk areas are regularly identified, assessed, treated, monitored and reported to Senior Management, the ROC and the BOD.

Risk Management Structure

Board of Directors

The BOD directs the Parent Company's over-all risk management strategy. The risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. The BOD performs an oversight function on the Parent Company's implementation of its risk policies through various committees that it has created as follows:

Executive Committee

The Executive Committee shall approve the midterm strategy of the Bank, annual budget, and administrative matters.

Risk Oversight Committee

The ROC approves and oversees the Enterprise Risk Management (ERM) framework and program of the Parent Company and Subsidiaries, including its implementation by management. It also approves and oversees adherence to the Parent Company and Subsidiaries' Risk Appetite Policy, including risk appetite statements, risk appetite levels, and risk tolerance limits. Furthermore, it oversees the development, approval, and implementation of risk management policies and frameworks as well as define the organizational responsibilities of the risk management function following the three (3) lines of defense framework.

Corporate Governance Committee

The Corporate Governance Committee assists the BOD in fulfilling its corporate governance responsibilities, including the approval and oversight of the implementation of the corporate governance framework. The Committee is responsible for monitoring the Board's effectiveness and ensuring adherence to established corporate governance principles and guidelines.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities over the integrity of the Bank's financial reporting process and financial statements, the independence and performance of internal and external audit functions and evaluates the adequacy and the effectiveness of internal control and risk management systems and compliance with relevant laws, regulations and corporate governance standards.

Senior Credit Committee

The Senior Credit Committee is the highest credit decision-making body in the Bank and works closely with the ROC in managing the overall credit risk of the Bank. The committee reviews and approves proposals and facilities related to credit, except for Directors, Officers, Stockholders and Related Interests (DOSRI) and material related party transactions (RPT) accounts. It also approves remedial and/or recovery strategies of the Bank for identified problem loan accounts.

Related Party Transactions Committee

The Related Party Transactions Committee assists the BOD in fulfilling its oversight responsibilities in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

Nominations and Remunerations Committee

The Nominations and Remuneration Committee reviews and evaluates the qualifications of, and makes recommendations regarding all persons nominated to the Board, as well as key personnel and their appointments requiring Board approval. The Committee also assesses the effectiveness of the

Board's processes and procedures for the election and replacement of directors. It likewise establishes a formal and transparent procedure for developing policies on the remuneration of directors and officers to ensure that compensation is consistent with the Bank's culture, strategy, and operating business environment, including consideration of the potential of directors and officers.

Trust Committee

The Trust Committee is primarily responsible for overseeing the Trust, IMA and Other Fiduciary businesses of the Bank through its Trust and Asset Management Group (TAMG), including the oversight of investments of funds and assets contributed to and held by these Trust, IMA and Other Fiduciary accounts.

Transformation and Technology Committee

The Transformation and Technology Committee oversees the development and implementation of strategy, transformation, innovation and information technology initiatives of the Bank and its subsidiaries and affiliates, in support of the Group's vision, mission and strategic objectives.

The Parent Company's organizational structure includes the Risk Management Group (RMG), which is responsible for driving the following risk management processes of the Group:

- Independent assessment, measurement, monitoring and reporting of the Group's risk-taking activities; and
- Formulation, review and recommendation of risk-related policies and control structures.

Nevertheless, the Group's risk management framework adopts the basic tenet that risks are owned by the respective business and process owners. Everyone in the organization is therefore expected to proactively manage the risks inherent to their respective areas by complying with the Group's risk management framework, policies and standards.

The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management procedures but are structured similar to those of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group.

Risk Measurement and Reporting

The Parent Company's risks are measured using various methods compliant with Basel III standards. The Parent Company also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Expected credit loss models are developed and maintained by the RMG. These models are used as a tool for the Parent Company's risk management process and management reporting systems. The applicable results of the calculations are used as the basis for the assessment of expected credit losses.

Monitoring and controlling risks are primarily performed based on limits established by the Parent Company. These limits reflect the business strategy and market environment of the Parent Company as well as the level of risk that the Parent Company is willing to take. In addition, the Parent Company monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

For all levels throughout the Parent Company, specifically tailored risk reports are prepared and distributed to ensure that all business divisions have access to extensive, necessary and up-to-date information. These reports include aggregate credit exposure, credit metric forecasts, limit exceptions, Value-at-Risk (VaR), liquidity ratios and risk profile changes.

Credit Risk Management prepares detailed reporting of risks per credit classification, payment status, industry, loan tenor, and other measures of portfolio quality. Senior management assesses the appropriateness of the allowance for credit losses periodically or as the need arises. The ROC and the heads of the business units concerned receive comprehensive portfolio quality reports which are

designed to provide the necessary information to assess and conclude on the credit risks of the Parent Company.

In the case of market risk, a monthly report is presented to the ROC on the utilization of market limits and liquidity, plus other risk developments.

Information compiled from businesses is examined and processed in order to analyze, control and identify risks early. This information is assessed and deliberated by the heads of each business unit, the ROC and the BOD.

Risk Mitigation

The Parent Company uses various risk mitigation practices to manage different types of risks, such as credit, market, operational, liquidity, and sustainability, among others. Generally, these include: establishing and reviewing risk limits and policies by considering the risk appetite, strategy and objectives of the Bank, as well as the regulatory requirements and industry best practices; implementing and enforcing these limits by using effective monitoring and reporting systems, and by escalating and resolving any limit breaches or policy violations; and conducting regular and ad hoc stress testing.

Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular borrowing group, industry or geographic location.

The Parent Company manages concentration risks by setting exposure limits to borrowing groups, industries, countries, and where appropriate, on products and facilities. These limits are reviewed as the need arises, but at least annually.

To avoid excessive concentration of risks, the Parent Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are controlled and managed accordingly.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform its obligations during the life of the transaction. This includes risk of non-payment by borrowers or issuers, failed settlement of transactions, and default on contracts.

The Parent Company drives credit risk management fundamentally via its Credit Policy Manual (CPM), the provisions of which are regularly reviewed and updated to reflect changing regulations and risk conditions. The CPM defines the principles and parameters governing credit activities, ensuring that each account's creditworthiness is thoroughly understood and regularly reviewed. Lending units assume overall responsibility for the management of credit exposures while middle and back-office functions are clearly defined to provide independent checks and balance to credit risk-taking activities. A system of approving and signing limits ensures adequate senior management involvement for larger and more complex transactions. Large exposures of the Group are kept under rigorous review as these are subjected to stress testing and scenario analysis to assess the impact of changes in market conditions or key risk factors (examples are economic cycles, interest rate, liquidity conditions or other market movements) on its profile and earnings.

The risk management structure of policies, accountabilities and responsibilities, controls and senior management involvement is similarly in place for non-performing assets.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

More broadly, liquidity risk is defined as the current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Liquidity risk is monitored and managed mainly using liquidity gap capped by the approved Maximum Cumulative Outflows (MCO) limits, regular stress testing, and compliance to Basel III liquidity ratios. A Contingency Funding Plan (CFP) is likewise in place to ensure readiness for identified liquidity crisis situation.

The Parent Company's Asset and Liability Committee (ALCO) is directly responsible for market and liquidity risk exposures. ALCO regularly monitors the Parent Company's positions and sets the appropriate transfer pricing rate to effectively manage movements of funds across business activities.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages those portfolios separately.

The Group manages its market risk exposures through various established structures, processes and measurement tools.

- The Treasury Group is responsible for managing proprietary trading activities, overseeing liquidity, and controlling interest rate risk within the banking book (IRRBB). The Group also ensures strict adherence to risk limits approved by the ROC.
- The RMG performs regular monitoring of compliance with policies, procedures and risk limits and accordingly makes recommendations, where appropriate.
- The ALCO is the senior decision-making body for the management of all market risks related to asset and liability management, and trading and accrual books.

The market risk measurement models are subjected to periodic back testing to ensure validity of market assumptions used.

Market Risk in the Trading Book

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institution's trading book portfolio, both on- and off-balance sheet. Market risk arises from market making, dealing, or position-taking in instruments and structures, or through strategies that are sensitive to movements in interest rates, foreign exchange rates, credit spreads, and equities and commodities prices.

Risk management tools utilized by the Parent Company are as follows:

- Loss limits
- Position and duration limits, where appropriate
- Mark-to-market valuation
- Value-at-Risk (VaR) limits
- Stress testing

Additional risk monitoring tools were likewise adopted to manage under fluid market environments. The tools include sensitivity analyses to identify vulnerabilities in terms of profit or loss and capital erosion, as well as closely tracking early warning indicators to proactively identify emerging risks.

Value-at-Risk

The Parent Company measures VaR in order to estimate if the market value of an asset or of a portfolio of assets is likely to change over a certain time period as market factors change.

VaR computation is a two-step process which involves calculation of the changes in the relevant risk factors then computing for the corresponding impact on the exposure's value. A risk factor is defined as a variable that causes a change in the value of a financial instrument or a portfolio of financial instruments.

a. VaR Methodology

The Parent Company uses a Historical Model approach to calculate VaR for all products. Unlike parametric methods, the historical approach does not put specific assumptions on the distribution (ex. normality assumption) of the historical returns. Instead, the Historical Model estimates VaR using historical changes in market factors to construct an empirical distribution of potential profits and losses, and then reading off the loss that is exceeded at a specified confidence level and period. The Parent Company employs Historical Model using a Taylor expansion composed of "Greek" sensitivities (Delta and Gamma) characterizing market behavior.

b. VaR Parameters

The Group uses one-year historical observations consisting of 365 data points with a 99% confidence level and a 1-day holding period. This implies 99% confidence level that the portfolio will not lose more than the calculated VaR over the next day.

The VaR figures are backtested against actual and hypothetical profit and loss to validate the robustness of the VaR model. Likewise, to complement the VaR measure, the Parent Company performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the VaR model.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits are set annually for all financial trading activities based on its risk appetite level. Exposures are then monitored daily against the established VaR limits.

Market Risk in the Non-Trading Book

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank defines IRRBB as the risk that the Bank's earnings or capital will decline, immediately or over time, due to adverse movements in interest rates.

The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. Management of IRRBB entails identifications of risks in the banking book, modelling of balance sheet account behavior, measurement of interest rate gap, estimation of Earnings-at-Risk (EaR), interest rate stress-testing, calculation of change in Economic Value of Equity (EVE), reporting to ALCO, the ROC and the BOD, model validation and maintenance, and regular audit.

a. Repricing Gap

Interest rate risk exposures are monitored through a repricing gap schedule, which highlights mismatches between the repricing dates of assets and liabilities. Accounts are allocated into time buckets according to their next repricing dates, with model-based assumptions applied to specific balance sheet items. For instance, models are employed to assess core and non-core portions of non-maturing deposits, evaluate early redemption risks associated with time deposits, and manage prepayment risks related to loans.

Gap analysis is used to assess sensitivity to market interest rate changes, where a positive gap indicates greater assets than liabilities repricing within a period, potentially benefiting net interest income during rising rates but limiting growth if rates fall.

b. *Earnings Approach*

EaR is a key measure of IRRBB and is calculated as the change in accrual income over the next 12 months resulting from potential change in the yield curve. The take-off point for the EaR calculation is the Bank's repricing gap model. To manage repricing risk, the Parent Company sets a limit on the EaR measure.

The Parent Company recognizes that this metric assumes a "business-as-usual" scenario and, therefore, do not show potential losses under a "stress" scenario. To address this limitation, the Parent Company performs regular stress testing to test its ability to cope with adverse changes in interest rates under different stress scenarios. This process involves applying interest rate shocks of different magnitudes to the current repricing gap positions in the balance sheet. Stress-testing involves yield curve shifts based on economic forecasts and regulatory guidelines.

c. *Economic Value Approach*

The Economic Value Approach is utilized by the Parent Company to measure exposure to interest rate risk, specifically assessing the potential impact of changes in market rates on the economic value of its balance sheet. Within this framework, Delta Economic Value of Equity (Delta EVE) serves as a principal metric quantifying the sensitivity of economic value to fluctuations in interest rates. Delta EVE is determined by calculating the present value of all expected asset cash flows and deducting the present value of all expected liability cash flows. This approach provides a comprehensive evaluation of how interest rate movements may affect the long-term value of the Parent Company's financial position.

Delta EVE is designed to complement the EaR metric, which focuses on the potential short-term variability in net interest income. While EaR addresses immediate earnings impacts, Delta EVE evaluates longer-term implications for capital adequacy that may result from changes in interest rates. Collectively, these risk measures provide a holistic view of the Parent Company's interest rate risk profile

The Parent Company's assessment methodology for Delta EVE is largely anchored in the standardized framework set forth by the Basel Committee on Banking Supervision, thereby ensuring adherence to established international regulatory standards and best practices. As of March 31, 2026 and December 31, 2025, the Parent Company's Delta EVE is at 12.23% and 11.78%, respectively, arising from parallel shock up interest rate scenario.

Equity Price Risk

Equity price risk is the risk that the fair values of equities will decrease as a result of changes in the levels of equity indices and the value of individual stocks. As of March 31, 2026 and December 31, 2026, this risk originates from the open stock positions of SB Equities. The Bank has no significant equity price risk as of March 31, 2026 and December 31, 2025.

The Group, except for SBEL, has no equity securities classified under Financial assets at FVTOCI as of March 31, 2026 and December 31, 2025 which are affected by changes in the PSEi as these securities are mainly golf and club shares.

Currency Risk

Currency risk is the risk to earnings or capital arising from adverse movements in foreign exchange rates. The Group maintains open positions in multiple currencies across both trading and non-trading books, and fluctuations in the exchange rates expose the Group to foreign exchange risk.

In managing foreign currency exposures within the banking book, foreign currency-denominated deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

Operational Risk

Operational risk is the probability of loss arising from fraud, unauthorized activities, errors, omissions, system failures, cyber incidents or from external events. This is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

Operational Risk Management is considered a critical element in the Bank's commitment to sound management and corporate governance. Under the Bank's operational risk management framework, business units are provided extensive guidance on the comprehensive identification and effective assessment of their operational risks and the corresponding controls to promote a forward-looking culture of risk management. This is complemented by continuous focus on issue management to address identified weaknesses, as well as by enhanced incident response capability to ensure preparedness in the event of significant risk occurrences.

Group policies and frameworks have been developed and implemented covering key areas such as technology risks, business continuity, fraud, information security, as well as new risk areas like social media, environmental, social, and governance (ESG), and reputational risk. Guidelines and tools have also been enhanced for key operational risk activities such as Issue Management, Incident and Loss Reporting and Key Risk Indicators to improve reporting and oversight of the Bank's operational risk environment. The Risk and Control Self-Assessment process has also been updated to ensure effective identification, assessment, mitigation and monitoring of operational risks by the risk owners in the first line of defense.

There remains increased focus on operational resilience, with ongoing reviews of business continuity plans and crisis management playbooks, and planned upgrades to critical systems as part of IT disaster recovery efforts.

Increased digitalization in response to customer needs has been accompanied by enhanced alignment of the Bank's risk assessment and technology project management processes. Security controls were strengthened to mitigate cybersecurity and external fraud risks, particularly within the online banking services. Security awareness programs for both customers and staff have likewise been enhanced. Finally, third-party experts are contracted to assess and guide further improvements to both cybersecurity maturity and incident response capability. These measures are intended to address information security, fraud, resiliency, and other operational risks.

Sustainability Risk

Environmental & Social Risk Management (ESRM) is the identification, measurement, assessment, monitoring and reporting of environmental and social risks associated with the Bank's lending and investment activities, and its operations. The Bank has incorporated environmental and social factors into the lending process and customer dialogue to align with its policies. The Bank recognizes the consequences of failing to appropriately manage ESG issues can directly impact its reputation, operations, and the communities where the Bank and its clients operate.

6. Fair Value Measurement

The following show the fair values of the assets and liabilities of the Group:

	March 31, 2026				
	Carrying Value	Total	Fair Value		
Quoted Prices in active Market (Level 1)			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱22,871,015	₱22,871,015	₱11,026,203	₱11,844,812	₱-
Private bonds	140,058	140,058	117,225	22,833	-
Equity securities	20,831	20,831	-	20,831	-

March 31, 2026

	Fair Value				
	Carrying Value	Total	Quoted Prices in active Market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Total HFT investments	23,031,904	23,031,904	11,143,428	11,888,476	–
Derivative assets:					
Currency forwards	7,336,949	7,336,949	–	7,336,949	–
Cross-currency swaps	349,527	349,527	–	349,527	–
Interest rate swaps	115,858	115,858	–	115,858	–
Bond forwards	2	2	–	2	–
Total derivative assets	7,802,336	7,802,336	–	7,802,336	–
Total financial assets at FVTPL	30,834,240	30,834,240	11,143,428	19,690,812	–
Derivative assets designated as hedges	128,062	128,062	–	128,062	–
Financial assets at FVTOCI					
Treasury notes and bills	112,507,025	112,507,025	90,257,109	22,249,916	–
Treasury bonds	54,977,694	54,977,694	54,722,343	255,351	–
Equity securities	609,436	609,436	–	609,436	–
Total financial assets at FVTOCI	168,094,155	168,094,155	144,979,452	23,114,703	–
	₱199,056,457	₱199,056,457	₱156,122,880	₱42,933,577	₱–
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost:					
Treasury notes and bills	₱71,509,634	₱70,424,485	₱54,972,068	₱15,452,417	₱–
Treasury bonds	50,489,228	50,076,479	43,553,000	6,523,479	–
Private bonds	49,501,194	49,172,759	20,877,240	28,295,519	–
Total investment securities at amortized cost	171,500,056	169,673,723	119,402,308	50,271,415	–
Loans and receivables – net	679,443,640	688,332,715	–	–	688,332,715
Other assets	578,588	491,615	–	–	491,615
Total financial assets at amortized cost	851,522,284	858,498,053	119,402,308	50,271,415	688,824,330
Non-financial Assets					
Investment properties	7,406,505	10,821,302	–	–	10,821,302
	₱858,928,789	₱869,319,355	₱119,402,308	₱50,271,415	₱699,645,632
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Currency forwards	₱3,854,520	₱3,854,520	₱–	₱3,854,520	₱–
Cross-currency swaps	629,521	629,521	–	629,521	–
Interest rate swaps	179,666	179,666	–	179,666	–
Foreign currency options	79,575	79,575	–	79,575	–
Bond forwards	2	2	–	2	–
	₱4,743,284	₱4,743,284	₱–	₱4,743,284	₱–
Liabilities for which Fair Values are Disclosed					
Deposit liabilities excluding LTNCD	₱937,981,787	₱937,875,374	₱–	₱–	₱937,875,374
Notes and bonds payable	64,806,766	65,280,950	–	–	65,280,950
Bills payable and SSURA	22,877,380	22,879,894	–	–	22,879,894
	₱1,025,665,933	₱1,026,036,218	₱–	₱–	₱1,026,036,218

December 31, 2025

	Fair Value				
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱35,917,085	₱35,917,085	₱28,049,698	₱7,867,387	₱–
Private bonds	385,796	385,796	144,744	241,052	–
Equity securities	24	24	–	24	–
Total HFT investments	36,302,905	36,302,905	28,194,442	8,108,463	–
Derivative assets:					
Currency forwards	1,397,363	1,397,363	–	1,397,363	–
Cross-currency swaps	130,730	130,730	–	130,730	–
Interest rate swaps	40,446	40,446	–	40,446	–
Total derivative assets	1,568,539	1,568,539	–	1,568,539	–
Total financial assets at FVTPL	37,871,444	37,871,444	28,194,442	9,677,002	–
Derivative assets designated as hedges	289,844	289,844	–	289,844	–
<i>(Forward)</i>					

	December 31, 2025				
	Carrying Value	Total	Fair Value		
			Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at FVTOCI:					
Treasury notes and bills	94,702,994	94,702,994	57,215,122	37,487,872	–
Treasury bonds	61,262,306	61,262,306	46,151,737	15,110,569	–
Private bonds	1,100,866	1,100,866	–	1,100,866	–
Equity securities	602,814	602,814	–	602,814	–
Total financial assets at FVTOCI	157,668,980	157,668,980	103,366,859	54,302,121	–
	₱195,830,268	₱195,830,268	₱131,561,301	₱64,268,967	₱–
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	₱56,316,655	₱56,929,319	₱25,369,876	₱31,559,443	₱–
Treasury notes and bills	53,202,243	54,007,781	21,944,879	32,062,902	–
Treasury bonds	48,852,777	49,559,066	43,143,794	6,415,272	–
Total investment securities at amortized cost	158,371,675	160,496,166	90,458,549	70,037,617	–
Loans and receivables - net	696,637,540	705,802,763	–	–	705,802,763
Other assets	631,757	555,814	–	–	555,814
Total financial assets at amortized cost	855,640,972	866,854,743	90,458,549	70,037,617	706,358,577
Non-financial Assets					
Investment properties	7,126,743	10,464,046	–	–	10,464,046
	₱862,767,715	₱877,318,789	₱90,458,549	₱70,037,617	₱716,822,623
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Currency forwards	₱1,220,929	₱1,220,929	₱–	₱1,220,929	₱–
Cross-currency swaps	89,302	89,302	–	89,302	–
Foreign currency options	51,580	51,580	–	51,580	–
Interest rate swaps	45,655	45,655	–	45,655	–
Total financial liabilities at FVTPL	1,407,466	1,407,466	–	1,407,466	–
Derivative liabilities designated as hedges	3,625,886	3,625,886	–	3,625,886	–
	₱5,033,352	₱5,033,352	–	₱5,033,352	–
Liabilities for which Fair Values are Disclosed					
Deposit liabilities excluding LTNCD	₱930,502,714	₱930,360,309	–	–	₱930,360,309
Notes Payable	64,001,309	63,665,202	–	–	63,665,202
Bills payable and SSURA	6,168,985	6,490,507	–	–	6,490,507
	₱1,000,673,008	₱1,000,516,018	₱–	₱–	₱1,000,516,018

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models, the instruments are included in Level 2. Instruments included in Level 3 include those for which there is currently no active market.

During the periods ended March 31, 2026 and 2025, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The methods and assumptions used by the Group in estimating the fair value of its financial instruments are:

Checks and Other Cash Items (COCI), due from BSP and other banks and interbank loans receivable and securities purchased under resale agreements (SPURA) with the BSP

The carrying amounts approximate fair values considering that these accounts consist mostly of overnight deposits and floating rate placements.

Debt securities

Fair values are generally based upon quoted market prices, if available. If the market prices are 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 the discounted cash flow methodology.

Equity securities

Fair values of quoted equity securities are based on quoted market prices. Fair values of unquoted equity securities are derived based on the adjusted net asset value method.

Receivable from customers and sales contracts receivable (included under 'Other receivables')

Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

Other receivables – Accounts receivable and accrued interest receivable

Carrying amounts approximate fair values given their short-term nature.

Investment properties

Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were derived based on recent sales of similar properties in the investment properties and taking into account the economic conditions prevailing in the vicinity of the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining 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. Generally, properties located along a main road are superior to properties located along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the 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 data is superior to historic data.
Discount	Generally, asking prices in advertisements 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.

Other financial assets

The carrying amounts approximate fair values due to their short-term nature.

Derivative instruments (included under FVTPL, and designated as hedges)

Derivative products are valued using valuation techniques using market observable inputs including foreign exchange rates and interest rate curves prevailing at the statements of financial position date. For interest rate swaps, cross-currency swaps and foreign exchange contracts, discounted cash flow model is applied. This valuation model discounts each cash flow of the derivatives at a rate that is dependent on the tenor of the cash flow.

Deposit liabilities (demand and savings deposits excluding long-term savings deposits)

The carrying amounts approximate fair values considering that these are due and demandable.

Notes payable

Fair values of notes payable are estimated using adjusted quoted market prices of comparable investments. The adjustments on market quoted prices are unobservable inputs.

Other financial liabilities

For accrued interest and other expenses and other financial liabilities, the carrying amounts approximate fair values due to their short-term nature.

The significant unobservable input used in the fair value measurement of the Group's financial assets and financial liabilities is credit-adjusted rates for similar types of financial instruments. Significant increases (decreases) in the credit-adjusted rates would result in a significantly lower (higher) fair value measurement.

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

As of March 31, 2026 and December 31, 2025, financial assets at FVTPL include net unrealized loss of ₱468.6 million and ₱117.9 million, respectively.

Fair value gains or losses on financial assets at FVTPL (other than foreign exchange contracts) are included in 'Trading and securities gain (loss) - net' in the statements of income. Fair value gains or losses on foreign exchange contracts are included in 'Foreign exchange gain (loss) - net' in the statements of income.

As of December 31, 2025, certain government securities were pledged as collateral for Securities Sold under Repurchase Agreements (SSURA) (see Note 12).

8. Derivatives Designated as Hedges

In March 2024, Parent Company entered into hedging transactions, particularly cash flow hedges, to hedge its exposure to variability in future cash flows arising from foreign currency risk associated with its inter-book liabilities in RBU books.

As of March 31, 2026 and December 31, 2025, the Parent Company assessed the hedging relationships to be effective and hedge accounting was applied in accordance with the requirements of PFRS 9.

The following table shows the summary of the hedging transactions of the Parent Company designated as cash flow hedges and the related balances as of March 31, 2026 and December 31, 2025, respectively (amounts in thousands):

Hedged Item	Hedging Instrument	Notional Amount	Derivative Asset	Derivative Liability	Cash Flow Hedge Reserve	Cost of Hedging Reserve, Net of Tax	Total Hedge Reserve, Net of Tax
March 31, 2026							
Cash short position in the RBU books	Spot element of FX swap contract	\$102,902	₱128,062	₱-	₱-	(₱2,460)	(₱2,460)
December 31, 2025							
Cash short position in the RBU books	Spot element of FX swap contract	\$6,168,329	₱289,844	₱3,625,886	₱-	(₱1,198,318)	(₱1,198,318)

The cost of hedging pertaining to the amortization of the forward element presented under 'Interest expense on derivatives designated as hedges' in the statements of income amounted to ₱1.9 billion and ₱3.3 billion for the periods ended March 31, 2026 and 2025, respectively. Fair value gain of ₱0.9 billion and fair value loss of ₱3.4 billion initially deferred in cash flow hedge reserve were recycled to profit or loss at the same time the revaluation of the inter-book liabilities in RBU books was recognized in profit or loss for the periods ended March 31, 2026 and 2025, respectively.

9. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	March 31, 2026	December 31, 2025
Debt instruments		
Treasury notes and bills	₱112,507,025	₱94,702,994
Treasury bonds	54,977,694	61,262,306
Private bonds	—	1,100,866
	167,484,719	157,066,166
Equity instruments		
Golf and club shares	556,942	549,342
PSE shares	52,494	53,472
	609,436	602,814
	₱168,094,155	₱157,668,980

As of March 31, 2026 and December 31, 2025, debt instruments at FVTOCI were carried at Stage 1 and there were no transfers into and out of Stage 1.

As of March 31, 2026 and December 31, 2025, Peso-denominated debt financial assets at FVTOCI amounted to ₱140.0 billion and ₱129.5 billion, respectively.

As of March 31, 2026 and December 31, 2025, USD-denominated debt financial assets at FVTOCI amounted to ₱27.5 billion and ₱27.6 billion, respectively.

As of March 31, 2026 and December 31, 2025, certain treasury bonds were pledged as collateral for SSURA (see Note 12).

As of March 31, 2026 and December 31, 2025, government securities included under 'Financial Assets at Fair Value through Other Comprehensive Income' with a total face value of ₱1.9 billion were deposited with the BSP in compliance with the requirements of the General Banking Law relative to the Parent Company's trust functions.

PSE shares were obtained by SBEI in 2001 as a result of the demutualization of its membership shares in the stock exchange. These investments were for long-term strategic purposes. SBEI designated these equity securities as financial assets at FVTOCI as management believes that this provides a more meaningful presentation for medium or long-term strategic investments, rather than reflecting changes in fair value immediately in the statements of income. The Group also adopted the same classification for its investments in golf and club shares.

10. Investment Securities at Amortized Cost

This account consists of investments in:

	March 31, 2026	December 31, 2025
Treasury notes and bills	₱71,509,634	₱53,202,243
Treasury bonds	50,492,015	48,855,581
Private bonds	49,568,179	56,392,555
	171,569,828	158,450,379
Less allowance for credit losses	69,772	78,704
	₱171,500,056	₱158,371,675

As of March 31, 2026 and December 31, 2025, investment securities at amortized cost were carried at stage 1 and there were no transfers into and out of stage 1.

As of March 31, 2026 and December 31, 2025, HTC dollar-denominated securities amounted to ₱30.0 billion and ₱37.6 billion, respectively.

As of March 31, 2026 and December 31, 2025, HTC peso-denominated securities amounted to ₱141.5 billion and ₱120.8 billion, respectively.

11. Deposit Liabilities

On June 23, 2023, through BSP Circular 1175, the BSP approved a 250-basis point reduction in the reserve requirement ratios of selected reservable liabilities of the Bank, lowering it from 12.0% to 9.5%, effective June 30, 2023. In September 2024, BSP Circular No. 1201 was issued reducing the reserve requirements against deposit and deposit substitute liabilities from 9.5% to 7.00% effective reserve week starting October 25, 2024. Subsequently, BSP Circular No. 1211 was issued on March 11, 2025, further reducing the reserve requirements to 5% effective March 28, 2025.

As of March 31, 2026 and December 31, 2025, the Group has set aside ‘Due from BSP’ as reserves amounting to ₱6.5 billion and ₱22.8 billion, respectively.

On March 24, 2025, the Parent Company settled in full the ₱6.1 billion 4.00% fixed coupon rate LTNCD.

On June 17, 2025, the Parent Company settled in full the ₱2.3 billion 4.00% fixed coupon rate LTNCD.

On August 5, 2025, the Parent Company settled in full the ₱2.1 billion 4.00% fixed coupon rate LTNCD.

Debt issue costs related to the LTNCDs amounting to ₱6.2 million were fully amortized during 2025. As a result, there were no unamortized debt issue costs and no outstanding carrying amount for LTNCDs as of March 31, 2026 and December 31, 2025. Significant terms of these LTNCDs were disclosed in the 2025 audited financial statements.

Interest expense on deposit liabilities consists of:

	Three months ended March 31	
	2026	2025
Time	₱1,084,528	₱1,353,657
Savings	223,125	137,949
Demand	195,347	150,253
LTNCD	–	103,253
	₱1,503,000	₱1,745,112

12. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	March 31, 2026	December 31, 2025
SSURA	₱19,551,143	₱2,851,571
Local banks	3,242,520	3,229,892
Local government banks with relending facilities	83,717	87,522
	₱22,877,380	₱6,168,985

The following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group:

	March 31, 2026		December 31, 2025	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at FVTPL				
Government securities (Note 7)	₱–	₱–	₱2,834,421	₱2,834,421
Financial assets at FVTOCI				
Treasury bonds (Note 9)	4,319,632	4,319,632	574,749	574,749
	₱4,319,632	₱4,319,632	₱ 3,409,170	₱3,409,170

Interest expense on bills payable and SSURA amounted to ₱187.8 million and ₱921.1 million for the three months ended March 31, 2026, and 2025, respectively.

13. Notes and Bonds Payable

The account consists of the following:

	March 31, 2026	December 31, 2025
Senior unsecured notes due May 2029	₱24,069,446	₱23,277,744
Fixed rate bonds due October 2030	20,846,865	20,840,127
Fixed rate bonds due September 2029	19,890,455	19,883,438
	₱64,806,766	₱64,001,309

The movements in unamortized discount and debt issue costs follow:

	March 31, 2026	December 31, 2025
Beginning balance	₱514,691	₱442,943
Additions	–	164,705
Amortization	(29,753)	(96,557)
Translation adjustment	7,496	3,600
Balance at end of year	₱492,434	₱514,691

Interest expense on notes and bonds payable amounted to ₱972.3 million and ₱685.4 million for the three months ended March 31, 2026 and 2025, respectively.

Significant terms of notes and bonds payable have been disclosed in the 2025 audited financial statements.

14. Equity

As of March 31, 2026 and December 31, 2025, the Parent Company's capital stock consists of:

	Shares*	Amount
Common stock – ₱10 par value		
Authorized	1,000,000,000	₱10,000,000
Issued and outstanding		
Balance at the beginning and end of the period	753,538,887	7,535,389

(Forward)

	Shares*	Amount
Preferred stock – ₱0.10 par value		
Authorized	1,000,000,000	100,000
Issued and outstanding		
Balance at the beginning and end of the period	1,000,000,000	100,000
	1,753,538,887	7,635,389

*Absolute number of shares

Surplus reserves of the Group consist of:

	March 31, 2026	December 31, 2025
Reserve for regulatory requirements	₱4,872,348	₱4,665,344
Reserve for self-insurance	1,049,000	1,049,000
Reserve for trust business	482,233	482,233
Reserve for redemption of preferred stock	100,000	100,000
	₱6,503,581	₱6,296,577

Upon adoption of PFRS 9, BSP requires appropriation of a portion of the Group's Surplus at an amount necessary to bring to at least 1% the allowance for credit losses on loans.

In compliance with existing BSP regulations, 10.0% of the net profits realized by the Parent Company from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory capital.

To comply with Securities Regulation Code Rule 49.1 (B), *Reserve Fund*, requiring broker dealers to annually appropriate a certain minimum percentage of its audited profit after tax as reserve fund, a portion of the Group's surplus corresponding to the net earnings of SBEI amounting to ₱42.4 million and ₱39.6 million as of March 31, 2026 and December 31, 2025, respectively, has been appropriated in the consolidated financial statements and is not available for dividend declaration.

Details of the Parent Company's cash dividend distribution for the three months ended March 31, 2026 and December 31, 2025 follow:

Shares	Date of declaration	Dividend		Record date	Payment date
		Per share	Total amounts in thousands		
Preferred	February 24, 2026	₱0.0062874	₱3,790	June 26, 2026	July 10, 2026
Preferred	February 24, 2026	0.004805	1,908	March 11, 2026	April 1, 2026
Common	October 28, 2025	1.50	1,130,308	November 12, 2025	November 26, 2025
Common	March 25, 2025	1.50	1,130,308	April 10, 2025	April 28, 2025
Preferred	February 25, 2025	0.0062874	3,790	June 26, 2025	July 10, 2025
Preferred	February 25, 2025	0.004805	1,908	March 11, 2025	April 1, 2025

Capital Management

The Group considers the equity attributable to the equity holders of the Parent Company as the capital base of the Group. The primary objectives of the Group's capital management are to ensure that it complies with capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities and assessment of prospective business requirements or directions. In order to maintain or adjust the capital structure, the Group may adjust the amount and mode of dividend payment to shareholders and issue capital securities. No material changes were made in the objectives, policies and processes from the previous year.

BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the “unimpaired capital” (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The Group complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi banks, in accordance with the Basel III standards:

Common Equity Tier 1 (CET1) ratio	6.00%
Tier 1 capital ratio	7.50%
Total Capital Adequacy Ratio (CAR)	10.00%
Capital Conservation Buffer *	2.50%

**composed of CET1 capital on top of the minimum CET1 requirement*

BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs are required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach.

The CAR of the Group as reported to the BSP follow:

	March 31, 2026	December 31, 2025
Tier 1 capital	₱145,417,781	₱146,476,787
Less Required deductions	34,497,410	33,516,266
	110,920,371	112,960,521
Excess from Tier 2 deducted to Tier 1 Capital*	–	–
Net Tier 1 Capital	110,920,371	112,960,521
Tier 2 capital	7,725,832	8,126,319
Less: Required deductions	–	–
	7,725,832	8,126,319
Excess of Tier 2 deducted to Tier 1 Capital*	–	–
Net Tier 2 Capital	7,725,832	8,126,319
Total Qualifying Capital	₱118,646,203	₱121,086,840
Credit Risk-Weighted Assets	₱771,963,289	₱811,581,858
Market Risk-Weighted Assets	36,579,180	24,199,482
Operational Risk-Weighted Assets	97,784,244	80,693,429
Total Risk Weighted Assets	₱906,326,713	₱916,474,769
Tier 1 CAR	12.24%	12.33%
Total CAR	13.09%	13.21%

**Deductions to Tier 2 Capital are capped at its total gross amount and any excess shall be deducted from Tier 1 Capital.*

The Group and its individually regulated operations have complied with all regulatory capital requirements throughout the year.

The Bank Viability Assessment Process supplements the BSP's risk-based capital adequacy framework. In compliance with this, the Group has adopted and developed its capital and liquidity assessment frameworks to ensure that the appropriate level and quality of capital and liquidity are maintained by the Group. Under these frameworks, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget as well as regulatory edicts.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%.

The details of the BLR as reported to the BSP follow:

	March 31, 2026	December 31, 2025
Tier 1 Capital	₱110,920,371	₱112,960,521
Exposure Measure	1,635,281,589	1,632,168,031
BLR	6.78%	6.92%

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

Liquidity Coverage Ratio (LCR)

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is aimed to promote short-term resilience against liquidity risk by requiring banks to maintain an adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. Bank shall maintain an LCR not be lower than 100.00%. As of March 31, 2026 and December 31, 2025, the LCR in single currency as reported to the BSP was at 197.83% and 200.46%, respectively, for the Group.

Net Stable Funding Ratio (NSFR)

On September 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards NSFR. The NSFR is aimed to promote long term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100.00% at all times. As of March 31, 2026 and December 31, 2025, the NSFR as reported to the BSP, was at 145.11% and 145.93%, respectively, for the Group.

15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- Subsidiaries, joint ventures and associates and their respective subsidiaries, and

- Post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

In the ordinary course of business, the Parent Company has loan transactions with subsidiaries and with certain DOSRI. Under the Parent Company's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

BSP Circular No. 560 was issued providing the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of the bank's net worth, the unsecured portion shall not exceed 5.00% of such net worth. Further, the total outstanding exposures shall not exceed 20.00% of the net worth of the lending bank.

BSP Circular No. 423, dated March 15, 2004 amended the definition of DOSRI accounts. Further, BSP issued Circular No. 464 dated January 4, 2005 clarifying the definition of DOSRI accounts.

Other related party transactions conducted in the normal course of business include the following, as detailed in the Memorandum of Agreement (MOA) between the Parent Company and its subsidiaries:

- Human resource related services
- Finance, accounting, and tax services including audit
- Collection services (for legal action)
- Preparation of reports
- Processing of credit application (for property appraisal and credit information)
- Legal documentation
- Risk and compliance services
- Corporate secretarial services
- Information technology related service
- General services

The Parent Company has lease agreements with some of its subsidiaries and an affiliate for periods ranging from one to five years. The lease agreements include the share of the subsidiaries and an affiliate in the maintenance of the building.

Transactions of the Parent Company with its subsidiaries were eliminated in the consolidated financial statements of the Group.

For the three months ended March 31, 2026 and 2025, SBML sold various loans and lease receivables to the Parent Company with carrying amount of ₱160.8 million and ₱52.3 million, respectively. The Parent Company's proportionate share in the gain on sale of loans and lease receivables was eliminated in the consolidated financial statements of the Group.

The Group has transactions with its key management personnel or those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers senior officers to constitute key management personnel.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan and/or as provided by law.

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Parent Company's Employees Retirement Plan Board of Trustees. Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

16. Commitments and Contingent Liabilities

In the normal course of operations of the Group, there are outstanding commitments and contingent liabilities and bank guarantees that are not reflected in the financial statements. The Group does not anticipate losses that will materially affect its financial position and financial performance as a result of these transactions.

There are several suits and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such cases and claims will not have a material effect on the Group's financial position and financial performance.

Regulatory Reporting

The following is a summary of the Group's commitments and contingent liabilities at their equivalent peso contractual amounts:

	March 31, 2026	December 31, 2025
Derivatives	₱768,352,084	₱667,648,797
Trust department accounts	179,803,588	179,204,549
Unutilized credit limit of credit cardholders	165,502,477	166,820,860
Unused commercial letters of credit	91,677,883	87,185,573
Committed loan line	31,944,086	95,904,296
Spot foreign exchange contracts	16,620,919	4,882,997
Inward bills for collection	2,563,111	451,815
Late deposit/payment received	493,449	406,746
Outward bills for collection	396,589	192,513
Outstanding guarantees	295,553	–
Financial guarantees with commitment	107,507	89,218
Others	1,908,137	82

17. Earnings Per Share

Basic earnings per share amounts were computed as follows:

	Three months ended March 31	
	2026	2025
a. Net income attributable to the equity holders of the Parent Company	₱2,704,210	₱2,821,152
b. Dividends declared to preferred shares	5,699	5,699
c. Weighted average number of outstanding common shares*	753,538,887	753,538,887
d. Earnings per share [(a-b)/c]	₱3.58	₱3.74

**in absolute amounts*

As of March 31, 2026 and 2025, the Parent Company has no potentially dilutive common shares.

18. Notes to the Statement of Cash Flows

The amounts of interbank loans receivables and securities purchased under agreements to resell considered as cash and cash equivalents follow:

	March 31, 2026	March 31, 2025
Interbank loans receivable and SPURA		
SPURA	₱50,998,662	₱19,000,000
Interbank loans receivable	8,000,000	49,999
	58,998,662	19,049,999
Interbank loans receivable and SPURA not considered as cash and cash equivalents		
Interbank loans receivable	1,528,319	1,547,500
	1,528,319	1,547,500
	₱60,526,981	₱20,597,499

The movements in allowance for credit losses from ‘Due from other banks’ and ‘Interbank loans receivable and securities purchased under resale agreements’ as follows:

	March 31, 2026	March 31, 2025
Due from other banks	(₱2,196)	(₱196)
Interbank loans receivable and SPURA	–	(6,949)
	(₱2,196)	(₱7,145)

Significant non-cash transactions of the Group include set-up of right of use assets, foreclosures of investment properties and chattels.

Reconciliation of liabilities arising from financing activities follows:

	Cashflows			Non-cash charges		Ending balance
	Beginning Balance	Proceeds/ Availments	Payments/ Maturities	Foreign exchange movement	Amortization of transaction costs	
March 31, 2026						
Bills payable and SSURA	₱6,168,985	₱19,651,143	(₱3,037,719)	₱94,971	₱–	₱22,877,380
Notes and bonds payable	64,001,309	–	–	775,704	29,753	64,806,766
	₱70,170,294	₱19,651,143	(₱3,037,719)	₱870,675	₱29,753	₱87,684,146
March 31, 2025						
Bills payable and SSURA	₱91,179,648	₱54,658,602	(₱102,299,878)	(₱1,720,235)	₱–	₱41,818,137
Notes and bonds payable	61,195,057	–	(18,500,000)	(250,918)	25,074	42,469,213
LTNCD	10,433,785	–	(6,060,000)	–	4,240	4,378,025
	₱162,808,490	₱54,658,602	(₱126,859,878)	(₱1,971,153)	₱29,314	₱88,665,375

19. Segment Information

The Group’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. In 2025, the Group implemented a reclassification of its asset management, trust, and fiduciary services from the Financial Markets segment to Elimination and Others. This change was undertaken to align both internal and external reporting presentations with the Bank’s updated organizational structure and governance framework. Accordingly, the corresponding segment information for the prior period presented herein has been restated to reflect the updated segmentation and ensure comparability of the Group’s structure and performance reporting.

The Group derives revenues from the following main operating business segments:

Wholesale Banking - addresses corporates, institutional, and public sector and commercial clients. Services include relationship management, loans, trade, cash management, deposits and investments.

It also provides structured financing and advisory services, debt and equity capital raising, project financing, and mergers and acquisitions advisory offered by SB Capital. Operating leases from SBRC and share in net income from SBML are also part of the segment.

Retail Banking - serves individual clients. It covers deposits, consumer loans, credit cards, bancassurance and investments. Share in net income (loss) from SBF and MMFP is also part of the segment.

Business Banking - serves the micro, small and medium enterprises (MSMEs) with holistic propositions covering deposits, loans, cash management, third-party insurance and investments.

Financial Markets - focuses on providing money market, foreign exchange, financial derivatives, debt and equity securities brokerage, as well as the management of the funding operations for the Group. The Group's equity brokerage, SB Equities, is also part of this segment.

Eliminations and Others - This segment includes the Bank's non-reportable segments such as support services and eliminations in accordance with the Bank's group internal reporting. For the three months ended March 31, 2026, eliminations include net interest income from third party and intersegment amounting to ₱1.0 billion and ₱1.6 billion, respectively; non-interest income and non-interest expense amounting to ₱1.5 billion and ₱6.2 billion, respectively; and total assets and total liabilities amounting to ₱10.1 billion and ₱357.5 billion, respectively. For the three months ended March 31, 2025, eliminations include net interest income from third party and intersegment amounting to ₱1.3 billion and ₱1.9 billion, respectively; non-interest income and non-interest expense amounting to ₱1.3 billion and ₱5.8 billion, respectively; and total assets and total liabilities amounting to ₱5.9 billion and ₱308.7 billion, respectively. The Group's asset management, trust and fiduciary services are reported in this segment. Share in net income from HCPH is also part of this segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location), therefore, geographical segment information is no longer presented.

The Group has no significant customers which contribute 10.0% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information follows (amounts in millions):

	Three Months Ended March 31, 2026					
	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Statement of Income						
Net interest income:						
Third party	₱7,204	₱5,797	₱908	₱406	₱846	₱15,161
Intersegment	(3,307)	506	665	3,575	(1,439)	-
	3,897	6,303	1,573	3,981	(593)	15,161
Noninterest income	1,204	2,828	231	(1,624)	(773)	1,866

(Forward)

Three Months Ended March 31, 2026

	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Revenue – net of interest expense	5,101	9,131	1,804	2,357	(1,366)	17,027
Noninterest expense	3,614	8,003	1,501	1,472	(1,193)	13,397
Income before income tax	1,487	1,128	303	885	(173)	3,630
Provision for income tax	372	282	76	221	(25)	926
Net income for the period attributable to the Parent Company	₱1,115	₱846	₱227	₱664	(₱148)	₱2,704
Other Segment Information						
Capital expenditures	₱438	₱422	₱15	₱5	₱805	₱1,685
Depreciation and amortization	₱319	₱307	₱11	₱4	₱585	₱1,226
Provision for (recovery of) credit and impairment losses	₱909	₱2,932	₱49	₱2	(₱12)	₱3,880

Three Months Ended March 30, 2025

	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Statement of Income						
Net interest income:						
Third party	₱7,149	₱4,969	₱701	(₱2,141)	₱1,203	₱11,881
Intersegment	(3,818)	437	663	2,662	56	–
	3,331	5,406	1,364	521	1,259	11,881
Noninterest income	1,105	2,762	171	328	(835)	3,531
Revenue – net of interest expense	4,436	8,168	1,535	849	424	15,412
Noninterest expense	2,714	7,000	1,363	1,239	(601)	11,715
Income before income tax	1,722	1,168	172	(390)	1,025	3,697
Provision for income tax	431	298	43	–	104	876
Net income for the period attributable to the Parent Company	₱1,291	₱870	₱129	(₱390)	₱921	₱2,821
Other Segment Information						
Capital expenditures	₱316	₱348	₱8	₱4	₱732	₱1,408
Depreciation and amortization	₱234	₱258	₱6	₱3	₱541	₱1,042
Provision for credit and impairment losses	₱237	₱2,004	₱156	₱–	(₱19)	₱2,378

Statement of Financial Position as of March 31, 2026

	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Total assets	₱380,329	₱186,336	₱21,448	₱601,581	₱30,659	₱1,220,353
Total liabilities	₱233,728	₱398,323	₱84,036	₱682,339	(₱331,553)	₱1,066,873

Statement of Financial Position as of March 31, 2025

	Wholesale Banking	Retail Banking	Business Banking	Financial Markets	Elimination and Others	Total
Total assets	₱390,495	₱161,822	₱15,660	₱524,159	₱18,970	₱1,111,106
Total liabilities	₱232,756	₱328,826	₱65,219	₱632,206	(₱291,736)	₱967,271

20. Events After the Reporting Period

On April 8, 2026, the Parent Company's BOD approved the first semestral cash dividend of ₱1.50 per common share with payment date on May 8, 2026. The full amount of the first semestral cash is regular cash dividend.

SECURITY BANK CORPORATION AND SUBSIDIARIES
AGING OF LOANS AND RECEIVABLES
AS OF March 31, 2026
(In thousands)

No. of Days Outstanding	Amount
Current	₱665,605,904
90 days or less	17,436,621
91 to 180 days	4,026,580
181 days to 1 year	2,334,877
More than 1 year	8,886,805
Loans and Receivables – Gross	698,290,787
Less: Allowance for Credit Losses	(18,847,147)
Loans and Receivables – Net	₱679,443,640

SECURITY BANK CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

	March 31, 2026	December 31, 2025
Liquid to total assets (%)	39.47	36.95
Loans (net) to deposit ratio (%)	72.44	74.87
Debt-to-equity ratio	6.95	6.75
Asset-to-equity ratio	7.95	7.75
	For the Three Months Ended March 31	
	2026	2025
Return on average assets (%)	0.90	1.01
Return on average equity (%)	7.03	7.92
Net interest margin (%)	5.36	4.51
Cost to income ratio (%)	55.89	60.59
Interest rate coverage ratio	1.76	1.55

Item 2. Management's Discussion and Detailed Analysis of Financial Condition and Results of Operations

Key Performance Indicators

The Bank monitors its performance and benchmarks itself with the other players in the banking industry in terms of the following indicators:

Key Performance Indicators:	March 31, 2026	December 31, 2025
<u>Capital Adequacy</u>		
Capital to Risk Assets Ratio	13.09%	13.21%
<u>Asset Quality</u>		
Non-performing Loan (NPL) Ratio -Net	1.40	1.31
Non-performing Loan (NPL) Cover	80.66	85.61
<u>Liquidity</u>		
Liquid Assets to Total Assets	39.47	36.95
For the Three Months Ended March 31		
	2026	2025
<u>Profitability</u>		
Return on Average Assets	0.90	1.01
Return on Average Equity	7.03	7.92
Net Interest Margin	5.36	4.51

The manner by which the Bank calculates the above indicators is as follows:

Key Performance Indicator	BSP Prescribed Formula
Capital to Risk Assets Ratio	<u>Total Qualifying Capital</u> Market, Credit and Operational Risk Weighted Exposures
Non-performing Loan (NPL) Ratio (Based on Circulars 941 and 1011)	<u>Non-performing Loans (net of specific allowance)</u> Gross Loans
Non-performing Loan (NPL) Cover (Based on Circulars 941 and 1011)	<u>Allowance for Probable Losses Loans</u> Non-performing Loans (gross of specific allowance)
Liquid Assets to Total Assets	<u>Total Liquid Assets</u> Total Assets
Return on Average Assets	<u>Net Income (or Loss) after Income Tax x 100</u> Average Total Assets
Return on Average Equity	<u>Net Income (or Loss) after Income Tax x 100</u> Average Total Capital Accounts
Net Interest Margin	<u>Net Interest Income x 100</u> Average Interest Earning Assets

Analysis of Consolidated Statements of Financial Position as of March 31, 2026 and December 31, 2025

Total Assets rose by ₱25.6 billion, reaching ₱1.2 trillion as of March 31, 2026, on account of increases in Due from Other Banks, Interbank Loans Receivables and Securities Purchased Under Resale Agreements (SPURA) with the BSP, Fair Value through Other Comprehensive Income, Investment Securities at Amortized Cost, Investment in Joint Ventures and an Associate, Property, Equipment and Right-of-use Assets, Investment Properties, Deferred Tax Assets, Intangible Assets, and Other Assets, tempered by decreases in Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas, Financial Assets at Fair Value through Profit or Loss, Derivative Assets Designated as Hedges, and Loans and Receivables.

The decrease in **Cash and Other Cash Items** by ₱2.7 billion is mainly attributable to the Bank's daily operations while the reduction in **Due from BSP** by ₱14.5 billion is driven by asset-liability management. **Due from Other Banks** increased by ₱9.3 billion as a result of higher working balances maintained with counterparty banks. **Interbank Loans Receivable and SPURA with the BSP** rose by ₱31.9 billion due to the higher placements.

Financial Assets at Fair Value Through Profit or Loss decreased by ₱7.0 billion to ₱30.8 billion due to net trading activities of the Bank. **Derivative Assets Designated as Hedges** amounted to ₱0.1 billion. **Financial Assets at Fair Value through Other Comprehensive Income** increased by ₱10.4 billion mainly due to purchase of treasury notes and bills during the period. **Investment Securities at Amortized Cost** rose by ₱13.1 billion, reflecting additional investments in treasury notes and bills, partially offset by a reduction in private bond holdings.

Loans and Receivables decreased to ₱679.4 billion from ₱696.7 billion in 2025, mainly due to lower commercial and retail loan balances, partially offset by growth in MSME lending.

Investment in Joint Ventures and an Associate represent the Parent Company's 60.0% interest in SBML, 49.96% interest in SBFI, 49.0% interest in MMFP, and 25.0% interest in HCPH. The increase by ₱0.3 billion to ₱16.6 billion in 2026 is primarily due to the Bank's share in net income during the period.

Property, Equipment and Right-of-use Assets increased by ₱0.5 billion due to additions during the period. **Investment Properties** increased by ₱0.3 billion mainly due to additional foreclosures tempered by disposals and depreciation during the period.

Deferred Tax Assets increased by ₱0.2 billion primarily driven by the recognition of DTA on allowance for credit and impairment losses. **Intangible Assets** increased by ₱ 0.3 billion to ₱8.6 billion in 2026 mainly due to additions.

Other Assets increased to ₱7.5 billion from ₱6.6 billion, primarily due to higher prepaid expenses and cash collateral deposits.

Total Liabilities increased by ₱26.3 billion on account of increases in Deposit Liabilities, Financial Liabilities at Fair Value through Profit or Loss, Bills Payable and Securities Sold Under Repurchase Agreements (SSURA), Acceptances Payable, Income Tax Payable, Notes and Bonds Payable, and Accrued Interest, Taxes and Other Expenses, tempered by decreases in Derivatives Designated as Hedges, Margin Deposits and Cash Letters of Credit, Manager's and Certified Checks Outstanding, and Other Liabilities

Deposit Liabilities went up from ₱930.5 billion as of year-end 2025 to ₱938.0 billion, driven by higher savings and demand deposits, tempered by a decline in time deposits.

Financial Liabilities at Fair Value through Profit or Loss increased by ₱3.3 billion. **Derivative Liabilities Designated as Hedges** declined from ₱3.6 billion as of year-end 2025 to nil, primarily due to the maturity and settlement of outstanding hedging instruments during the period. **Bills Payable and SSURA** increased from ₱6.2 billion to ₱22.9 billion, mainly attributable to new drawdowns on the Bank's borrowings from SSURA.

Acceptances Payable increased to ₱1.7 billion from ₱0.6 billion. **Margin Deposits and Cash Letters of Credit** decreased to ₱2.7 billion. **Manager's and Certified Checks Outstanding** decreased to ₱5.8 billion or 2.1%.

Income Tax Payable decreased by ₱18.2 million from year-end 2025's ₱48.6 million. **Notes and Bonds Payable** increased by ₱ 0.8 billion mainly due to foreign exchange translation adjustment. **Accrued Interest, Taxes and Other Expenses** increased by ₱1.2 billion from ₱5.2 billion. **Other Liabilities** went down by ₱0.5 billion.

Total Equity decreased by ₱0.7 billion on account of movements in Surplus, Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income, Net Unrealized Gain on Subsidiaries and Associate' Financial Assets at Fair Value through Other Comprehensive Income, Cumulative foreign currency translation, and Cost of Hedging Reserve during the period.

Surplus increased due to the net income for the period. **Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income of the Parent** rose by ₱4.5 billion, mainly driven by the decline in market valuations of outstanding debt securities. **Net Unrealized Gain on Subsidiaries and Associate' Financial Assets at Fair Value through Other Comprehensive Income** decreased by ₱36.7 million. **Cumulative Foreign Currency Translation** loss increased to ₱236.8 million as compared to ₱169.9 million as of December 31, 2025. **Cost of Hedging Reserve** declined to ₱2.5 million due to lower volume of hedged transactions during the period.

The **Capital Adequacy Ratio (CAR)** is 13.09% in March 2026. This is well above BSP minimum requirement of 10%, indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

Analysis of Consolidated Statements of Income for the Three Months Ended March 31, 2026 and 2025

Net income attributable to the Bank's equity holders amounted to ₱2.7 billion for the three months ended March 31, 2026, from a year ago level of ₱2.8 billion. This translates to earnings per share of ₱3.58 from ₱3.74 for the three months ended March 31, 2025.

Interest Income amounted to ₱19.9 billion from ₱18.7 billion for the three months ended March 31, 2026 and 2025, respectively. **Interest Income on Loans and Receivables** increased to ₱14.7 billion from ₱13.9 billion of the same period last year due to increases in credit cards, time loans, auto loans and home loans. **Interest Income on Financial Assets at Fair Value Through Other Comprehensive Income and Investment Securities at Amortized Cost** grew by ₱394.2 million on account of larger securities portfolio while **Interest Income on Financial Assets at Fair Value Through Profit or Loss** increased by ₱236.8 million. **Interest Income on Interbank Loans Receivables and SPURA with the BSP** declined by ₱130.4 million. **Interest Income on Deposits with Banks and Others** fell by ₱35.1 million, attributable to lower volumes of margin and demand deposits during the period.

Interest Expense declined by ₱2.0 billion compared with the prior period. **Interest Expense on Derivatives designated as Hedges** recognized during the year amounted to ₱1.9 billion, down by ₱1.4 billion mainly due to lower volume of hedging transactions. **Interest Expense on Deposit Liabilities** decreased by ₱242.1 million due to maturities of LTNCDs and lower interest rates on time deposits on a period-on-period basis. **Interest Expense on Notes and Bonds Payable, Bills Payable and SSURA and Other Borrowings** fell by ₱447.6 million as a result of reduced borrowing activities. **Interest Expense on Derivative Instruments** increased to ₱112.3 million. **Interest Expense on Lease Liabilities** rose by ₱9.0 million compared to 2025.

Net Interest Income registered an increase of ₱3.3 billion from ₱11.9 billion to ₱15.2 billion on the same period last year.

Other Income declined to ₱1.9 billion from ₱3.5 billion, mainly due to a ₱1.1 billion decrease in **Foreign Exchange Gain (Loss) - Net**, driven by less favorable foreign exchange movements and timing differences of their impact on profit or loss during the period. **Trading and Securities Gain (Loss) - Net** decreased by ₱878.3 million compared with the same period last year, primarily due to unfavorable market movements during the period influenced by geopolitical developments. **Service Charges, Fees, and Commissions** declined by ₱93.9 million from ₱2.2 billion in the same period last year. **Profit from Assets Sold/Exchanged** fell by ₱83.0 million on account of lower gains from the acquisition and sale of foreclosed assets. **Share in Net Income of Joint Ventures and an Associate** increased by ₱339.2 million, primarily attributable to the Bank's share in HCPH's net income. **Miscellaneous Income** rose by ₱96.1 million. **Rent Income** increased by ₱78.8 million due to higher rentals from Bank-owned properties.

Operating Expenses were higher by ₱1.7 billion. **Provision for Credit Losses** increased by ₱1.5 billion, driven by Bank's prudent risk management approach amid evolving operating conditions. **Depreciation and Amortization, Compensation and Fringe Benefits, Amortization of Software Costs, and Taxes and Licenses** increased by ₱156.2 million, ₱31.0 million, ₱27.5 million, and ₱14.0 million, respectively. **Occupancy Costs** decreased from ₱127.4 million to ₱117.8 million. **Miscellaneous** decreased from ₱3.7 billion to ₱3.6 billion.

Provision for Income Tax is higher by ₱50.4 million on a period-on-period basis, primarily driven by higher final tax tempered by lower corporate income tax and a higher benefit from deferred income tax.

Total Comprehensive Income for the three months ended March 31, 2026 resulted in a net loss of ₱0.7 billion, compared to a net gain of ₱3.8 billion for the same period in 2025. The period-on-period decline was mainly driven by higher net unrealized losses on debt instruments classified as financial assets at fair value through other comprehensive income, as well as lower net income for the period, partially tempered by movement in cost of hedging reserve.

Liquidity

The Group's liquidity is more than adequate with liquid assets to total assets ratio of 39.5% as of March 31, 2026. The Group does not anticipate any cash flow or liquidity problems within the next twelve (12) months and is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. All payables have been paid by the Group within the stated terms. There are no known trends, demands, commitments, events or uncertainties that may result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

Commitments and Contingent Liabilities

The Group has outstanding commitments, contingent liabilities, bank guarantees and tax assessments that arise from the normal course of operations. The Group does not anticipate losses that will materially affect its financial position and results of operations as a result of these transactions.

Material Commitments for Capital Expenditures

The Bank's commitments for capital expenditures will be funded out of cash flows from operations. This covers investments in electronic systems to serve our clients and to comply with regulatory requirements (e.g. electronic anti-money laundering monitoring system), investments in technology infrastructure and security (e.g. cybersecurity), upgrades of existing systems (e.g. telecommunications system), expansion of the Bank's electronic banking channels, ATM installations, renovation or relocation of branch premises, and investments for new branches.

Material Impact on Income from Continuing Operations

In the normal course of operations, the Bank's activities are affected by changes in interest rates, foreign currency exchange rates and other market changes. The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates and foreign currency exchange rates are kept within acceptable limits and within regulatory guidelines.

Significant Elements of Income or Loss that did not arise from Continuing Operations

There are no significant elements of income or loss that did not arise from continuing operations of the Group.

Seasonal aspects that have a material effect on the financial condition or results of operations.

The Group's financial position or results of operations are not affected by seasonal aspects.

Significant events and uncertainties during the period

There are no significant events and uncertainties during the period.