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AUDITED FINANCIAL STATEMENTS

PSBank
PHILIPPINE SAVINGS BANK
Metrobank Group

TABLE OF CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

BALANCE SHEET

Assets

Total Assets reached PhP237.30 billion, increased by 9.68% from PhP216.36 billion in the prior year, driven by the expansion of the loan and investment portfolio.

Loans and Receivables

Total Loans and Receivables rose by 7.55% to PhP154.69 billion. Consumption, Real Estate, and Commercial loans posted a growth of 8.18%, 6.55%, and 12.92%, respectively.

Securities and Investments

Due from BSP declined by 66.14% to PhP0.40 billion following the reduction of the reserve requirement ratio for thrift banks from 1% to 0% effective March 2025. Interbank Loans Receivable and Securities Purchased under Resale Agreement amounted to PhP5.60 billion.

Fair Value through Profit or Loss Investments decreased, while Investment Securities at Amortized Cost contracted by 4.96% to PhP28.60 billion. Fair Value through Other Comprehensive Income increased by 27.91% to PhP33.12 billion, reflecting the Bank's strategy to take advantage of favorable market conditions and opportunities in risk-free government securities.

Deferred Tax and Other Assets

Deferred Tax Assets increased by 8.67% to PhP1.43 billion, driven primarily by the recognition of deferred tax benefits from loan loss provisioning during the year.

Investment in a Joint Venture improved by 1.36% to PhP0.90 billion, representing the Bank's 30% stake in Sumisho Motor Finance Corporation (SMFC).

Goodwill and Intangible Assets decreased to PhP0.44 billion from PhP0.46 billion.

Deposit Liabilities

Total Deposit Liabilities grew by 9.29% to PhP179.84 billion. Demand deposits increased by 1.15% to PhP25.83 billion, while Savings deposits rose by 2.05% to PhP48.72 billion. Time deposits likewise grew by 15.36% to PhP105.29 billion.

Bonds Payable

Bonds Payable, net of prepaid expenses, stood at PhP4.96 billion as of December 31, 2025. The bonds were issued in August 2025 with a two-year tenor and a 5.875% annual interest rate payable quarterly.

Equity

Equity ended at PhP46.10 billion, up 4.52% year on year. Quarterly dividends of PhP0.75 per share were declared in line with policy.

As of year-end 2025, Common Equity Tier 1 Ratio was 23.34% and the Total Capital Adequacy Ratio was 24.35%, both above BSP minimum requirements.

INCOME STATEMENT

Net Income

Net Income amounted to PhP3.50 billion for FY2025. Compared to 2024, net income was lower from higher credit provisions in 2025 to further strengthen its balance sheet.

Net Interest Income

Net Interest Income increased by 7.11% or PhP0.87 billion, reaching PhP13.17 billion. Interest Income on Loans and Receivables rose by PhP1.68 billion from the 7.55% portfolio growth driven by the sustained demand for consumer and commercial loans. Interest Income on Securities and Investments decreased by PhP1.07 billion.

Lower cost of funds resulted in an 8.71% or PhP0.39 billion reduction in Interest Expense on Deposit Liabilities. Interest Expense on Bills Payable reached PhP0.03 billion, while Interest Expense on Bonds Payable amounted to PhP0.12 billion.

Non-Interest Income

Other Operating Income totaled PhP2.74 billion, 9.25% lower year on year. Net Service Fees and Commission Income declined by 9.47% to PhP1.64 billion. The Bank recorded a Loss on Foreclosure and Sale of Investment and Chattel Mortgage Properties amounting to PhP0.01 billion versus the PhP0.63 billion gain in 2024. Trading and Securities Gain increased to PhP0.41 billion, while Miscellaneous Income rose by 22.20%, largely from Recovery of Charged-off Assets.

Share in Net Income of a Joint Venture in SMFC amounted to PhP0.05 billion, compared to PhP0.07 billion in the previous year.

Operating Expenses and Provisions

Operating Expenses, excluding Provision for Impairment and Credit Losses, reached PhP9.56 billion, up 3.57% year on year. Depreciation and Amortization, including Amortization of software costs, increased by 14.44% or PhP0.15 billion. Security, Messengerial and Janitorial Services rose by 5.73% to PhP0.60 billion. Miscellaneous Expenses grew by 11.00%, mainly from Insurance and Information Technology costs.

The Bank allocated PhP2.36 billion in Provision for Impairment and Credit Losses to address the credit conditions to strengthen financial resilience via a disciplined and prudent approach.

As of December 2025, the Bank operated 250 branches and 509 ATMs.

SUPPLEMENTARY MANAGEMENT DISCUSSION

Supplementary Management Discussion

On January 15, 2013, the Bangko Sentral ng Pilipinas, through its Circular No. 781, issued the Basel III Implementing Guidelines on Minimum Capital Requirements. The guidelines took effect on January 01, 2014 wherein the risk-based capital ratio of the Bank, expressed as a percentage of qualifying capital to risk weighted assets, shall not be less than ten percent (10%) for both solo and consolidated basis. Other minimum capital ratios include Common Equity Tier 1 (CET1) ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed.

On March 29, 2022, the BSP issued Circular 1142, Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio, which provides amended guidelines on the computation of the minimum required capital and the risk-based capital adequacy ratio.

As of December 31, 2025 and 2024, the Bank maintains these ratios above minimum requirements.

The capital-to-risk assets ratio of the Bank as reported to the BSP as of December 31, 2025 and 2024 based on BASEL III are shown in the table below (in millions):

	2025	2024
Common Equity Tier 1 capital	**₱43,910**	₱41,887
Less: Regulatory Adjustments to CET1 capital	**3,458**	3,412
Total Tier 1 Capital	**40,452**	38,475
Tier 2 capital	**1,748**	1,767
Less: Regulatory Adjustments to Tier 2 capital	**-**	-
Total Tier 2 capital	**1,748**	1,767
Total qualifying capital (Note 21)	**₱42,200**	₱40,242
Credit risk-weighted assets	**₱147,244**	₱144,946
Market risk-weighted assets	**69**	110
Operational risk-weighted assets	**25,992**	25,782
Risk weighted-assets (Note 21)	**₱173,305**	₱170,838

	2025	2024
Common equity tier 1 ratio*		
Common equity tier 1 capital		
Divided by: Total Risk-weighted assets	**23.34%**	22.52%
Tier 1 capital ratio (Note 21)		
Adjusted tier 1 capital		
Divided by: Total risk-weighted assets	**23.34%**	22.52%
Total capital adequacy ratio (Note 21)		
Total qualifying capital		
Divided by: Total risk-weighted assets	**24.35%**	23.56%

*As of December 31, 2025 and 2024, the capital conservation buffer was 17.34% and 16.52% respectively.

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on AFS securities, cumulative foreign currency translation and remeasurements of net defined benefit asset. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which comprises of the Bank's general loan loss provision and unsecured subordinated debt (refer to Note 17). Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred tax assets, goodwill, other intangible assets and significant minority investments in a joint venture.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

The components of Tier 1 capital and regulatory adjustments as follows (in millions):

	December 31	
	2025	2024
	CET1	CET1
Paid-up common stock	**₱4,269**	₱4,269
Additional paid-in capital	**11,419**	11,419
Retained Earnings	**25,827**	22,117
Undivided Profits	**3,439**	5,190
Other comprehensive income		
Net unrealized gains (losses) on AFS securities	**(12)**	15
Cumulative foreign currency translation	**5**	4
Remeasurement Losses on Retirement Plan	**(1,039)**	(1,129)
Gains/(Losses) on Fair Value Adjustments of Hedging Instruments	**2**	2
Sub-total	**₱43,910**	₱41,887
Less Regulatory adjustments:		
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	**181**	184
Deferred tax asset	**1,961**	1,899
Goodwill	**30**	30
Other intangible assets	**382**	407
Significant minority investments	**904**	892
Total deductions	**3,458**	3,412
Total Common Equity Tier 1 capital	**40,452**	38,475
Additional Tier 1 (AT1) capital	**–**	–
Total Tier 1 capital	**₱40,452**	₱38,475

Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as follows (in millions):

	December 31, 2025			December 31, 2024		
	Common Equity Tier 1 Capital	**Reconciling Items**	**Audited Financial Statements**	Common Equity Tier 1 Capital	Reconciling Items	Audited Financial Statements
Paid-up common stock	**₱4,269**	**₱-**	**₱4,269**	₱4,269	₱-	₱4,269
Additional paid-in capital	**11,419**	**-**	**11,419**	11,419	-	11,419
Retained Earnings	**25,827**	**2,323**	**28,150**	22,117	2,105	24,222
Undivided Profits	**3,439**	**62**	**3,501**	5,190	18	5,208
Net unrealized gains on AFS securities	**(12)**	**(165)**	**(177)**	15	2	17
Remeasurement Losses on Retirement Plan*	**(1,039)**	**(33)**	**(1,072)**	(1,129)	92	(1,037)
Cumulative foreign currency translation	**5**	**5**	**10**	4	4	8
Gains/(Losses) on Fair Value Adjustments of Hedging Instruments – Joint Venture	**2**	**(2)**	**-**	2	(2)	-
Tier 1 (CET1) Capital/Total Equity	**₱43,910**	**₱2,190**	**₱46,100**	₱41,887	₱2,219	₱44,106

*Remeasurement Losses on Retirement Plan includes “Remeasurement Losses on Retirement Plan” and “Equity in Remeasurement Gains on Retirement Plan of a Joint Venture” on audited financial statements

Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP and vice versa.

The components of Tier 2 capital and deductions, as reported to BSP as of December 31, 2025 and 2024 consist of General loan loss provision amounting ₱1.7 billion and ₱1.8 billion, respectively.

In 2017, the General loan loss provision is limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof is deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio.

SUPPLEMENTARY MANAGEMENT DISCUSSION

On August 14, 2018, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1011 covering guidelines on the adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments. Under the said circular, banks shall set up general loan loss provision (GLLP) equivalent to one percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Banks are not required to provide a one percent (l%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments. Banks shall use Retained Earnings Reserve-Others as temporary account of Retained Earnings-General Provision (RE-GP). As a temporary presentation in CAR reports, the Retained Earnings (RE) included in Common Equity Tier (CET)/Core Tier 1 shall be net of Retained Earnings-General Provision. In computing Tier 2 Capital, the General Loan Loss provision (GLLP), shall include the RE-GP. However, the GLLP added back to on-balance sheet assets subject to risk-weight shall not include the RE-GP since when appropriating the RE, total assets is not affected. The Bank is compliant with the BSP Circular No. 1011.

Risk weighted assets by type of exposure as of December 31, 2025 and 2024 consist of the following (in millions):

	December 31, 2025			December 31, 2024		
	Credit Risk	**Market Risk**	**Operational Risk**	Credit Risk	Market Risk	Operational Risk
On-Balance Sheet	**₱147,238**	**₱-**	**₱-**	₱144,924	₱-	₱-
Off-Balance Sheet	**6**	**-**	**-**	22	-	-
Counterparty in the Banking Book	**-**	**-**	**-**	-	-	-
Counterparty in the Trading Book	**-**	**-**	**-**	-	-	-
Interest Rate Exposures	**-**	**-**	**-**	-	103	-
Foreign Exchange Exposures	**-**	**69**	**-**	-	7	-
Basic Indicator	**-**	**-**	**25,992**	-	-	25,782
Total	**₱147,244**	**₱69**	**₱25,992**	₱144,946	₱110	₱25,782
Capital Requirements	**₱14,724**	**₱7**	**₱2,599**	₱14,495	₱11	₱2,578

In 2017, the credit-risk weighted assets is net of General loan loss provision, in excess of the amount permitted to be included in Tier 2. Meanwhile, in 2018, the computation of GLLP is in compliance with BSP Circular No. 1011, wherein the Bank developed ECL parameters and methodologies for each portfolio of its loans and receivables, using historical data as well as forward-looking inputs and assumptions.

Risk-weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government (PNG) and those guarantors and exposures with highest credit rating. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and PhilRatings on exposures to Sovereigns, MDBs, Banks, LGUs, Government Corporations and Corporates. The Bank has no exposures to securitization structures. Further, it has no structured products issued or purchased.

The Bank uses the standardized approach to compute the market risk exposures for the Capital Adequacy Ratio. For each separate risk area (credit, market, operational, interest rate risk), the details of risk exposures and assessments are disclosed in Note 5 of the audited financial statements.

The Bank uses the Basic Indicator Approach in computing for the operational risk capital charge.

The description of the main features of capital instruments issued on common shares and those eligible as Tier 2 capital are presented in Note 21 and Note 17 of the audited financial statements, respectively.

The Bank's total risk-weighted on-balance sheet assets, net of specific provision broken down by type of exposures as follows (in millions):

December 31, 2025				Risk Weights						
	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures, not covered by CRM	0%	20%	50%	75%	100%	150%	Total
Cash on Hand	₱1,687	₱–	₱1,687	₱1,687	₱–	₱–	₱–	₱–	₱–	₱1,687
Due from Bangko Sentral ng Pilipinas (BSP)	401	–	401	401	–	–	–	–	–	401
Due from Other Banks	1,533	–	1,533	–	–	1,533	–	–	–	1,533
Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)	33,904	–	33,904	32,659	–	901	–	344	–	33,904
Debt Securities Measured at Amortized Cost (HTM)	29,084	–	29,084	26,843	11	2,230	–	–	–	29,084
Loans and Receivables										
Interbank Loans Receivable	–	–	–	–	–	–	–	–	–	
Loans and Receivables – Others	159,089	14,961	144,128	–	5,605	10,436	3,176	121,432	3,479	144,128
Loans and Receivables Arising from Repurchase Agreements	–	–	–	–	–	–	–	–	–	–
Sales Contract Receivable	2	–	2	–	–	–	–	–	2	2
Real and Other Properties Acquired	2,759	–	2,759	–	–	–	–	–	2,759	2,759
Total Exposures, Excluding Other Assets	228,459	14,961	213,498	61,590	5,616	15,100	3,176	121,776	6,240	213,498
Other Assets	5,046	–	5,046	–	–	–	–	5,046	–	5,046
Total Exposures, Including Other Assets	₱233,505	₱14,961	₱218,544	₱61,590	₱5,616	₱ 15,100	₱3,176	₱126,822	₱6,240	₱218,544
Total Risk-weighted On-Balance Sheet Assets not covered by CRM				–	1,123	7,550	2,382	126,823	9,359	147,237
Total risk-weighted On-Balance Sheet Assets covered by CRM				–	–	–	–	6	–	6
Total Risk-weighted On-Balance Sheet Assets				₱–	₱1,123	₱7,550	₱2,382	₱126,829	₱9,359	₱147,243

SUPPLEMENTARY MANAGEMENT DISCUSSION

December 31, 2024				Risk Weights						
	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures, not covered by CRM	0%	20%	50%	75%	100%	150%	Total
Cash on Hand	₱1,781	₱–	₱1,781	₱1,781	₱–	₱–	₱–	₱–	₱–	₱1,781
Due from Bangko Sentral ng Pilipinas (BSP)	1,183	–	1,183	1,183	–	–	–	–	–	1,183
Due from Other Banks	1,810	–	1,810	–	–	1,810	–	–	–	1,810
Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)	26,145	–	26,145	24,964	342	839	–	–	–	26,145
Debt Securities Measured at Amortized Cost (HTM)	30,587	–	30,587	26,691	555	2,808	–	533	–	30,587
Loans and Receivables										
Interbank Loans Receivable	–	–	–	–	–	–	–	–	–	
Loans and Receivables – Others	143,351	551	142,800	–	400	20,153	2,679	117,451	2,117	142,800
Loans and Receivables Arising from Repurchase Agreements	–	–	–	–	–	–	–	–	–	–
Sales Contract Receivable	3	–	3	–	–	–	–	–	3	3
Real and Other Properties Acquired	2,459	–	2,459	–	–	–	–	–	2,459	2,459
Total Exposures, Excluding Other Assets	207,319	551	206,768	54,619	1,297	25,610	2,679	117,984	4,579	206,768
Other Assets	5,000	–	5,000	–	–	–	–	5,000	–	5,000
Total Exposures, Including Other Assets	₱212,319	₱551	₱211,767	₱54,619	₱1,297	₱ 25,610	₱2,679	₱122,984	₱4,579	₱211,768
Total Risk-weighted On-Balance Sheet Assets not covered by CRM				–	259	12,805	2,009	122,984	6,867	144,924
Total risk-weighted On-Balance Sheet Assets covered by CRM				–	–	–	–	–	–	–
Total Risk-weighted On-Balance Sheet Assets				₱–	₱259	₱12,805	₱2,009	₱122,984	₱6,867	₱144,924

The total other assets are computed as follows (in millions):

	December 31	
	2025	2024
Total Assets	**₱236,039**	₱214,892
Add: General Loan Loss Provisions	**924**	1,143
Deductions:		
Total Exposures Excluding Other Assets	**228,459**	207,319
Financial Assets Held for Trading	**0**	304
Unsecured DOSRI	**181**	184
Deferred Tax Assets	**1,961**	1,899
Goodwill	**30**	30
Other Intangible Assets	**382**	407
Significant minority investments	**904**	892
Total Deductions	**₱231,917**	₱211,035
Total Other Assets	**₱5,046**	₱5,000

The Bank's total risk-weighted off-balance sheet assets broken down by type of exposures as follows (in millions):

2025				**Risk Weights**						
	Notional Principal Amount	**Credit Conversion Factor (CCF)**	**Credit Equivalent Amount**	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
Stand-by LCs										
Trade-related contingencies arising from movement of goods	**₱29**	**20.00%**	**₱6**	**₱-**	**₱-**	**₱-**	**₱-**	**₱6**	**₱-**	**₱6**
Transaction-related contingencies	**-**	**50.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Spot foreign exchange contracts sold	**88**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other Commitments	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Late deposits/payments received	**9,715**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trust Department accounts	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Others	**-**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Notional Principal Amount	**₱9,832**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Risk-Weighted Off-Balance Sheet Assets			**₱6**	**₱-**	**₱-**	**₱-**	**₱-**	**₱6**	**₱-**	**₱6**

SUPPLEMENTARY MANAGEMENT DISCUSSION

2024

	Notional Principal Amount	Credit Conversion Factor (CCF)	Credit Equivalent Amount	0%	50%	75%	100%	150%	Total
Stand-by LCs									
Trade-related contingencies arising from movement of goods	₱60	20.00%	₱12	₱-	₱-	₱-	₱-	₱12	₱-
Transaction-related contingencies	20	50.00%	10	-	-	-	-	10	-
Spot foreign exchange contracts sold	29	0.00%	-	-	-	-	-	-	-
Other Commitments	-	0.00%	-	-	-	-	-	-	-
Late deposits/payments received	-	0.00%	-	-	-	-	-	-	-
Trust Department accounts	10,249	0.00%	-	-	-	-	-	-	-
Others	-	0.00%	-	-	-	-	-	-	-
Total Notional Principal Amount	₱10,358		-	-	-	-	-	-	-
Total Risk-Weighted Off-Balance Sheet Assets			₱22	₱-	₱-	₱-	₱-	₱22	₱-

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies). As of December 31, 2025 and 2024, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	2025	2024
A. Capital Measure	**₱40,452**	₱38,475
B. Exposure Measure	**233,520**	212,648
C. Basel III Leverage Ratio (A/B)	**17.32%**	18.09%

Summary Comparison of Accounting Assets and Common Disclosure vs. Leverage Ratio Exposures as of December 31, 2025 and 2024 are shown in the table below (in millions):

Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure	**2025**	2024	**Common Disclosure vs. Leverage Ratio Exposure**	**2025**	2024
Total consolidated assets	**₱236,039**	₱214,892	On-balance sheet exposures	**₱233,505**	₱212,623
Adjustments for derivative financial instruments	**–**	–	Derivative exposures	**–**	–
Adjustments for securities financial transactions	**–**	–	Securities financing transaction exposures	**–**	–
Adjustments for off-balance sheet items	**15**	25	Other off-balance sheet exposures	**15**	25
Other adjustments	**(2,534)**	(2,269)	Tier 1 capital	**40,452**	38,475
			Total Leverage Ratio exposures	**₱233,520**	₱212,648
Leverage ratio exposures	**₱233,520**	₱212,648	Basel III Leverage Ratio	**17.32%**	18.09%

Meanwhile, the reconciliation requirement that details the source(s) of material differences between Banks' total balance sheet assets in its financial statements and on-balance sheet exposures in the common disclosure template is disclosed in the Bank's Annual Report (SEC 17-A).

On March 10, 2016 and February 8, 2018, the BSP issued Circular Nos. 905 and 996, respectively, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. On March 15, 2019, the BSP issued Circular No. 1035 which approved the: (1) extension of the observation period of the minimum Basel III Liquidity Coverage Ratio (LCR) requirement to December 31, 2019 for subsidiary banks and quasi-banks (QBs) of universal and commercial banks (UBs/KBs), (2) adoption of a seventy percent (70%) LCR floor for subsidiary banks and QBs during the observation period, (3) minimum requirement of one hundred (100%) starting January 1, 2020.

As of December 31, 2025 and 2024, the LCR in single currency as reported to the BSP are shown in the table below (in millions):

	2025	2024
A. Total Stock of High-Quality Liquid Assets	**₱63,452**	₱57,005
B. Total Net Cash Outflows	**39,182**	31,384
C. Liquidity Coverage Ratio [A/B]	**161.94%**	181.64%

On June 6, 2018, the BSP issued Circular No. 1007, implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR). The NSFR limits overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on and off balance sheet accounts. The NSFR complements the LCR, which promotes short term resilience of the Bank's liquidity profile. The covered bank shall maintain an NSFR of at least 100% at all times. Compliance with this requirement was phased-in effective July 1, 2018, with full implementation of the minimum NSFR on January 1, 2019.

On March 15, 2019, the BSP issued Circular No. 1034 which approved the extension of the observation period for the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR) for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs). Subsidiary banks/QBs of UBs/KBs shall be subject to an NSFR floor of seventy percent (70%) during the observation period. Starting January 1, 2020, the minimum NSFR for subsidiary banks/ QBs of UBs/KBs shall be 100%.

As of December 31, 2025 and 2024, the NSFR as reported to the BSP is shown in the table below (in millions):

	2025	2024
A. Available Stable Funding	**₱180,205**	₱171,479
B. Required Stable Funding	**145,936**	136,112
C. Net Stable Funding Ratio [A/B]	**123.48%**	125.98%

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
7907 Makati Avenue, Salcedo Village,
Barangay Bel-Air, Makati City, 1209

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

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

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

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

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

(Signed)	*(Signed)*	*(Signed)*
VICENTE R. CUNA, JR.	**JOSE VICENTE L. ALDE**	**LEAH M. ZAMORA**
Chairman of the Board	President	Controller

Signed this day of February 20, 2026.

REPUBLIC OF THE PHILIPPINES
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN TO before me this **February 20, 2026** affiants exhibiting to me their passports as follows:

Name	Passport No.	Date of Issue	Place of Issue
Vicente R. Cuna, Jr.			NCR South
Jose Vicente L. Alde			-
Leah M. Zamora			Manila

Doc. No. 256
Page No. 53
Book No. 15
Series of 2026.

Atty. MIGUEL ANGELO B. DIRAIN
Notary Public for Makati City
Until December 31, 2026
Notarial Commission Appt. No. M-103
PTR No 2935839 / Jan 5, 2026 / Bacoor City
Roll No 85489
IBP No. 572186 / Dec. 28, 2025 / Pasig City
MCLE Compliance No. VIII - 0006337/04-14-28
Unit 17-IJ2, Burgundy Corporate Tower,
252 Sen. Gil J. Puyat Ave., Makati City, Metro Manila

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Savings Bank (the Bank), which comprise the statements of condition as at December 31, 2025 and 2024, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of allowance for credit losses on loans and receivables

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

Allowance for credit losses on loans and receivables as of December 31, 2025 amounted to ₱4.3 billion. Provision for credit losses of the Bank in 2025 amounted to ₱2.4 billion.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 15 to the financial statements.

Audit response

We obtained an understanding of the board-approved ECL methodologies and models used for the Bank's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested the Bank's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Bank's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries including the timing, related direct costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Bank's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures. We reviewed the completeness of the disclosures made in the financial statements.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 36 and Revenue Regulations No. 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Savings Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Bryan Chrisnel M. Baes.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-188
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 128627-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-193-2025, October 1, 2025, valid until September 30, 2028
PTR No. 10765008, January 2, 2026, Makati City

February 19, 2026

STATEMENTS OF CONDITION

	December 31	
	2025	2024
ASSETS		
Cash and Other Cash Items	**₱1,686,770,344**	₱1,781,441,158
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	**400,670,316**	1,183,357,292
Due from Other Banks (Note 29)	**1,538,017,617**	1,815,099,522
Interbank Call Loans Receivable and Securities Purchased Under Resale Agreements (Note 7)	**5,602,790,000**	400,000,000
Fair Value Through Profit or Loss (FVTPL) Investments (Note 8)	**40,224**	300,599,156
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 8)	**33,118,680,691**	25,892,190,851
Investment Securities at Amortized Cost (Note 8)	**28,602,390,495**	30,096,321,212
Loans and Receivables (Note 9)	**154,687,949,618**	143,823,452,568
Investment in a Joint Venture (Notes 10 and 29)	**904,205,415**	892,036,809
Property and Equipment (Note 11)	**3,054,792,516**	3,193,122,788
Investment Properties (Note 12)	**3,532,606,835**	3,640,816,902
Deferred Tax Assets (Note 27)	**1,432,778,226**	1,318,508,161
Intangible Assets and Goodwill (Note 13)	**435,403,135**	460,788,987
Other Assets (Note 14)	**2,303,270,822**	1,559,037,180
	₱237,300,366,254	₱216,356,772,586

LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Note 16)		
Demand	**₱25,828,500,998**	₱25,535,370,093
Savings	**48,722,934,515**	47,745,087,366
Time	**105,287,540,700**	91,272,571,647
	179,838,976,213	164,553,029,106
Bonds Payable (Note 17)	**4,961,054,417**	–
Treasurer's, Cashier's and Manager's Checks	**815,692,218**	1,615,438,412
Accrued Taxes, Interest and Other Expenses (Note 18)	**2,318,882,604**	2,246,446,273
Income Tax Payable	**864,613**	–
Other Liabilities (Note 19)	**3,265,002,531**	3,835,930,737
	191,200,472,596	172,250,844,528
Equity		
Common Stock (Note 21)	**4,268,594,160**	4,268,594,160
Capital Paid in Excess of Par Value (Note 21)	**11,418,563,257**	11,418,563,257
Surplus Reserves (Note 30)	**1,051,658,376**	1,049,164,351
Surplus (Note 21)	**30,599,066,022**	28,380,653,357
Fair Value Reserves on Financial Assets at FVOCI (Note 8)	**(176,586,764)**	16,969,886
Remeasurement Losses on Retirement Plan (Note 24)	**(1,073,523,112)**	(1,038,514,167)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	**2,347,778**	2,421,056
Cumulative Translation Adjustment	**9,773,941**	8,076,158
	46,099,893,658	44,105,928,058
	₱237,300,366,254	₱216,356,772,586

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

	Years Ended December 31		
	2025	2024	2023
INTEREST INCOME			
Loans and receivables (Note 9)	**₱14,535,165,652**	₱12,853,958,647	₱11,479,459,384
Financial assets at FVOCI and investment securities at amortized cost (Note 8)	**2,674,333,025**	3,272,624,033	4,307,661,938
Interbank call loans receivable and securities purchased under resale agreements (Note 7)	**196,812,668**	347,567,262	419,381,106
Due from Bangko Sentral ng Pilipinas (Note 7)	**55,667,071**	345,049,668	1,397,792,663
FVTPL investments (Note 8)	**11,564,999**	44,019,337	3,495,728
Due from other banks	**8,386,654**	9,906,500	16,474,592
	17,481,930,069	16,873,125,447	17,624,265,411
INTEREST EXPENSE			
Deposit liabilities (Note 16)	**4,085,181,665**	4,475,126,221	5,663,176,485
Bonds payable (Note 17)	**116,627,960**	–	20,731,311
Lease liabilities (Note 25)	**77,483,169**	80,201,164	78,902,394
Bills payable (Note 17)	**30,222,248**	20,257,951	35,278,313
	4,309,515,042	4,575,585,336	5,798,088,503
NET INTEREST INCOME	**13,172,415,027**	12,297,540,111	11,826,176,908
Service fees and commission income (Note 22)	**1,721,680,513**	1,905,435,829	1,792,742,915
Service fees and commission expense (Note 22)	**78,028,783**	89,857,094	65,583,938
NET SERVICE FEES AND COMMISSION INCOME	**1,643,651,730**	1,815,578,735	1,727,158,977
OTHER OPERATING INCOME (CHARGES)			
Trading and securities gains - net (Note 8)	**412,039,934**	14,291,108	5,293,898
Gain (loss) on foreclosure and sale of chattel mortgage properties - net (Note 14)	**(384,471,310)**	210,233,861	619,971,252
Gain on foreclosure and sale of investment properties - net (Note 12)	**378,693,979**	420,709,766	361,931,299
Foreign exchange gain - net	**16,864,173**	8,280,983	17,627,813
Gain on sale of property and equipment (Note 11)	**5,047,984**	3,864,437	3,895,058
Miscellaneous (Notes 12, 23, 25 and 29)	**669,619,358**	547,977,595	582,860,969
	1,097,794,118	1,205,357,750	1,591,580,289
TOTAL OPERATING INCOME	**15,913,860,875**	15,318,476,596	15,144,916,174
OTHER EXPENSES			
Compensation and fringe benefits (Notes 24 and 29)	**4,088,335,417**	4,088,667,958	3,811,715,458
Provision for credit and impairment losses (Note 15)	**2,363,799,968**	214,439,037	1,451,089,796
Taxes and licenses	**1,501,624,971**	1,520,977,423	1,672,526,981
Depreciation (Note 11)	**1,073,190,387**	951,779,982	840,135,760
Security, messengerial and janitorial services	**596,441,016**	564,124,597	431,238,658
Occupancy and equipment-related costs (Note 25)	**337,985,586**	355,258,322	338,465,479
Amortization of intangible assets (Note 13)	**143,499,494**	111,357,953	106,212,859
Miscellaneous (Notes 12, 26 and 29)	**1,822,892,047**	1,642,264,312	1,690,846,708
	11,927,768,886	9,448,869,584	10,342,231,699

(Forward)

STATEMENTS OF INCOME

	Years Ended December 31		
	2025	2024	2023
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	**₱3,986,091,989**	₱5,869,607,012	₱4,802,684,475
SHARE IN NET INCOME OF A JOINT VENTURE (Notes 10 and 29)	**50,221,867**	68,022,770	86,340,894
INCOME BEFORE INCOME TAX	**4,036,313,856**	5,937,629,782	4,889,025,369
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**637,429,334**	820,308,105	1,208,573,920
Deferred	**(102,600,416)**	(91,120,738)	(850,610,415)
	534,828,918	729,187,367	357,963,505
NET INCOME	**₱3,501,484,938**	₱5,208,442,415	₱4,531,061,864
Basic/Diluted Earnings Per Share (Note 28)	**₱8.20**	₱12.20	₱10.61

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2025	2024	2023
NET INCOME	**₱3,501,484,938**	₱5,208,442,415	₱4,531,061,864
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that recycle to profit or loss in subsequent periods:			
Fair value reserves on debt securities at FVOCI (Note 8)	**(197,648,791)**	(60,771,043)	112,803,154
Cumulative translation adjustment	**1,697,783**	534,494	(15,815)
Equity in hedge reserves of a joint venture (Note 10)	–	(9,707,213)	21,851,794
	(195,951,008)	(69,943,762)	134,639,133
Items that do not recycle to profit or loss in subsequent periods:			
Remeasurement gains (losses) on retirement plan (Note 24)	**(46,678,594)**	120,880,748	(507,534,607)
Fair value reserves on equity securities at FVOCI (Note 8)	**4,092,141**	6,946,472	6,773,938
Equity in remeasurement gains (losses) on retirement plan of a joint venture (Note 10)	**(73,278)**	(3,757,296)	3,300,960
Income tax effect (Notes 24 and 27)	**11,669,649**	(30,220,187)	126,883,652
	(30,990,082)	93,849,737	(370,576,057)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**(226,941,090)**	23,905,975	(235,936,924)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱3,274,543,848**	₱5,232,348,390	₱4,295,124,940

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 21)	Capital Paid in Excess of Par Value (Note 21)	Surplus Reserves (Note 30)	Surplus (Note 21)	Fair Value Reserves on Financial Assets at FVOCI (Note 8)	Remeasurement Losses on Retirement Plan (Note 24)	Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	Equity in Hedge Reserves of a Joint Venture (Note 10)	Cumulative Translation Adjustment	Total
Balance at January 1, 2025	**₱4,268,594,160**	**₱11,418,563,257**	**₱1,049,164,351**	**₱28,380,653,357**	**₱16,969,886**	**(₱1,038,514,167)**	**₱2,421,056**	**₱–**	**₱8,076,158**	**₱44,105,928,058**
Total comprehensive income (loss) for the year	–	–	–	**3,501,484,938**	**(193,556,650)**	**(35,008,945)**	**(73,278)**	–	**1,697,783**	**3,274,543,848**
Cash dividends (Note 21)	–	–	–	**(1,280,578,248)**	–	–	–	–	–	**(1,280,578,248)**
Appropriation of surplus to trust business (Note 30)	–	–	**2,494,025**	**(2,494,025)**	–	–	–	–	–	–
Balance at December 31, 2025	**₱4,268,594,160**	**₱11,418,563,257**	**₱1,051,658,376**	**₱30,599,066,022**	**(₱176,586,764)**	**(₱1,073,523,112)**	**₱2,347,778**	**₱–**	**₱9,773,941**	**₱46,099,893,658**
Balance at January 1, 2024	₱4,268,594,160	₱11,418,563,257	₱1,046,398,969	₱24,455,554,572	₱70,794,457	(₱1,129,174,728)	₱6,178,352	₱9,707,213	₱7,541,664	₱40,154,157,916
Total comprehensive income (loss) for the year	–	–	–	5,208,442,415	(53,824,571)	90,660,561	(3,757,296)	(9,707,213)	534,494	5,232,348,390
Cash dividends (Note 21)	–	–	–	(1,280,578,248)	–	–	–	–	–	(1,280,578,248)
Appropriation of surplus to trust business (Note 30)	–	–	2,765,382	(2,765,382)	–	–	–	–	–	–
Balance at December 31, 2024	₱4,268,594,160	₱11,418,563,257	₱1,049,164,351	₱28,380,653,357	₱16,969,886	(₱1,038,514,167)	₱2,421,056	₱–	₱8,076,158	₱44,105,928,058
Balance at January 1, 2023	₱4,268,594,160	₱11,418,563,257	₱1,043,979,211	₱21,207,490,714	(₱48,782,635)	(₱748,523,773)	₱2,877,392	(₱12,144,581)	₱7,557,479	₱37,139,611,224
Total comprehensive income (loss) for the year	–	–	–	4,531,061,864	119,577,092	(380,650,955)	3,300,960	21,851,794	(15,815)	4,295,124,940
Cash dividends (Note 21)	–	–	–	(1,280,578,248)	–	–	–	–	–	(1,280,578,248)
Appropriation of surplus to trust business (Note 30)	–	–	2,419,758	(2,419,758)	–	–	–	–	–	–
Balance at December 31, 2023	₱4,268,594,160	₱11,418,563,257	₱1,046,398,969	₱24,455,554,572	₱70,794,457	(₱1,129,174,728)	₱6,178,352	₱9,707,213	₱7,541,664	₱40,154,157,916

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,036,313,856**	₱5,937,629,782	₱4,889,025,369
Adjustments to reconcile income before income tax to net cash generated from operations:			
Provision for credit and impairment losses (Note 15)	**2,363,799,968**	214,439,037	1,451,089,796
Depreciation (Note 11)	**1,073,190,387**	951,779,982	840,135,760
Realized gain on sale of financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	**(409,422,012)**	(24,247,623)	(677,047)
Loss (gain) on foreclosure and sale of:			
Chattel mortgage properties (Note 14)	**384,471,310**	(210,233,861)	(619,971,252)
Investment properties (Note 12)	**(378,693,979)**	(420,709,766)	(361,931,299)
Amortization of:			
Intangible assets (Note 13)	**143,499,494**	111,357,953	106,212,859
Debt issuance costs (Note 17)	**8,103,654**	–	1,550,061
Amortization of premium (discount) on financial assets at fair value through other comprehensive income and investment securities at amortized cost	**126,100,492**	(1,523,050,996)	(2,448,385,863)
Accretion of lease liabilities (Note 25)	**77,483,169**	80,201,164	78,902,394
Share in net income of a joint venture (Note 10)	**(50,221,867)**	(68,022,770)	(86,340,894)
Accretion of modified loans (Notes 9 and 23)	**(15,029,634)**	(40,054,727)	(70,125,024)
Gain on sale of property and equipment (Note 11)	**(5,047,984)**	(3,864,437)	(3,895,058)
Fair value loss (gain) on fair value through profit or loss investments (Note 8)	**(3,221,817)**	4,980,604	(1,763,136)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Fair value through profit or loss investments	**303,780,749**	108,718,553	(412,499,302)
Loans and receivables	**(18,532,301,099)**	(24,882,732,846)	(16,690,866,036)
Other assets	**(299,380,141)**	(25,746,297)	(25,085,315)
Increase (decrease) in:			
Deposit liabilities	**15,286,801,222**	(25,069,407,062)	(24,149,496,905)
Treasurer's, cashier's and manager's checks	**(799,746,194)**	101,372,757	499,839,859
Accrued taxes, interest and other expenses	**72,438,953**	(417,090,487)	157,320,735
Other liabilities	**(572,728,655)**	(259,449,880)	(313,236,832)
Net cash generated from (used in) operations	**2,810,189,872**	(45,434,130,920)	(37,160,197,130)
Income taxes paid	**(636,564,721)**	(820,308,105)	(1,208,573,920)
Dividends received from joint venture investment (Note 10)	**37,979,981**	32,699,984	57,599,971
Net cash provided by (used in) operating activities	**2,211,605,132**	(46,221,739,041)	(38,311,171,079)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
Financial assets at FVOCI	**(61,016,751,415)**	(228,142,099,166)	(522,049,795,033)
Investment securities at amortized cost	**(2,001,469,525)**	(1,927,310,139)	(890,227,702)
Property and equipment (Notes 11 and 32)	**(213,168,718)**	(319,208,849)	(388,426,720)
Other intangible assets (Note 13)	**(159,622,711)**	(273,949,744)	(70,519,156)
Proceeds from sale/maturities of:			
Financial assets at FVOCI (Note 8)	**53,969,380,272**	257,872,403,928	540,298,330,000
Investment securities at amortized cost	**3,942,849,086**	1,955,737,250	1,027,002,760
Chattel mortgage properties (Note 14)	**3,406,104,012**	3,243,570,913	2,006,025,248
Investment properties (Note 12)	**731,893,156**	877,066,090	780,498,824
Property and equipment (Note 11)	**51,609,289**	37,246,262	51,992,160
Net cash provided by (used in) investing activities	**(1,289,176,554)**	33,323,456,545	20,764,880,381
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bills payable (Note 32)	**7,493,491,318**	2,175,310,919	5,067,696,543
Settlement of bills payable (Note 32)	**(7,493,491,318)**	(2,447,207,380)	(5,981,745,057)
Issuance of bonds payable (Note 32)	**4,952,950,763**	–	–
Dividends paid (Note 21)	**(1,280,578,248)**	(1,280,578,248)	(1,280,578,248)
Payment of lease liabilities (Notes 25 and 32)	**(547,236,257)**	(522,142,339)	(533,555,296)
Settlement of bonds payable	–	–	(4,650,000,000)
Net cash provided by (used in) financing activities	**3,125,136,258**	(2,074,617,048)	(7,378,182,058)
Effect of exchange rate differences	**37,329**	12,638	(399)

(Forward)

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2025	2024	2023
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**₱4,047,602,165**	(₱14,972,886,906)	(₱24,924,473,155)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	**1,781,441,158**	1,653,554,961	1,930,720,274
Due from Bangko Sentral ng Pilipinas - gross (Notes 7 and 16)	**1,183,357,292**	9,745,633,911	37,553,243,574
Due from other banks - gross	**1,816,578,180**	1,765,438,984	2,925,163,812
Interbank call loans receivable and securities purchased under resale agreements (Note 7)	**400,000,000**	6,989,635,680	2,669,609,031
	5,181,376,630	20,154,263,536	45,078,736,691
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	**1,686,770,344**	1,781,441,158	1,653,554,961
Due from Bangko Sentral ng Pilipinas - gross (Notes 7 and 16)	**400,670,316**	1,183,357,292	9,745,633,911
Due from other banks - gross	**1,538,748,135**	1,816,578,180	1,765,438,984
Interbank call loans receivable and securities purchased under resale agreements (Note 7)	**5,602,790,000**	400,000,000	6,989,635,680
	₱9,228,978,795	₱5,181,376,630	₱20,154,263,536
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid	**₱4,310,392,592**	₱4,770,082,953	₱5,786,661,627
Interest received	**17,343,511,283**	15,383,148,818	15,417,117,332

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine Savings Bank (the Bank) was incorporated in the Philippines primarily to engage in savings and mortgage banking. The Bank's shares are listed in the Philippine Stock Exchange (PSE). The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions that mainly serve the retail and consumer markets. On September 6, 1991, the Bank was authorized to perform trust functions.

As of December 31, 2025 and 2024, the Bank had 250 branches. In 2025, the Bank had 271 Automated Teller Machines (ATMs) in the branches (on-site) and 238 in other locations (off-site) bringing its total number of ATMs to 509 as of December 31, 2025 and 528 as of December 31, 2024.

The Bank's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on June 30, 1959. On March 28, 2006, the Board of Directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate term of the Bank, which expired on June 30, 2009, for another 50 years or up to June 30, 2059. This was subsequently approved by stockholders representing at least two-thirds of the outstanding capital stock of the Bank on April 25, 2006. The Amended Articles of Incorporation was approved by the SEC on September 27, 2006.

On April 27, 2010, by majority vote of the BOD and by stockholders representing two-thirds of the outstanding capital stock, the amendment of Article VI of its Amended Articles of Incorporation reducing the number of directors from a maximum of eleven (11) to a maximum of nine (9) has been approved. This was approved by the SEC on August 26, 2010.

On March 24, 2014, the BOD approved Article III of Articles of Incorporation to specify its principal address from Makati City to PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City 1226. The Amended Articles of Incorporation was approved by the SEC on December 22, 2014.

As of December 31, 2025 and 2024, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned 88.38% of the Bank.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying 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) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. All values are rounded to the nearest peso unless otherwise stated.

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

NOTES TO FINANCIAL STATEMENTS

The financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of condition at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards as adopted by the Financial and Sustainability Reporting Standards Council (FSRSC).

Presentation of Financial Statements

The Bank presents its statements of condition in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the statement of condition date (current) and more than 12 months after the statement of condition date (non-current) is presented in Note 20.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of condition only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Bank and all of the counterparties.

Income and expenses are not offset in the statements of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amendments effective as at January 1, 2025. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these amendments did not have an impact on the consolidated financial statements of the Bank.

- Amendments to PAS 21*, Lack of Exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Summary of Material Accounting Policies

Foreign Currency Translation
The financial statements are presented in PHP, which is the Bank's functional and presentation currency.

The books of accounts of the RBU are maintained in PHP, while those of the FCDU are maintained in USD.

RBU
As at reporting date, foreign currency monetary assets and liabilities of the RBU are translated in PHP based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of condition date, and foreign currency-denominated income and expenses, at the exchange rates as at the dates of the transactions. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities in the RBU are credited to or charged against profit or loss in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

FCDU
As at reporting date, the assets and liabilities of the FCDU are translated to the Bank's presentation currency (PHP) at the BAP closing rate prevailing at the statement of condition date, and its income and expenses are translated using the exchange rates as at the dates of the transactions. Exchange differences arising on translation to the presentation currency are taken to the statements of comprehensive income under 'Cumulative translation adjustment'. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of comprehensive income is recognized in the statements of income.

Fair Value Measurement
The Bank measures financial instruments, such as FVTPL investments, financial assets at FVOCI and derivative financial instruments, at fair value at each statement of condition date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment properties are disclosed in Note 4.

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

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

The principal or most advantageous market must be accessible to the Bank.

NOTES TO FINANCIAL STATEMENTS

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price between the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from Bangko Sentral ng Pilipinas (BSP) and other banks, interbank call loans receivable and securities purchased under resale agreements (SPURA) that are convertible to known amounts of cash which have original maturities of three months or less from date of placements and that are subject to an insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivative financial instruments are recognized on a trade date basis. Deposits, amounts due to banks and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

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

<u>Financial Instruments – Classification and Subsequent Measurement</u>
Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (Solely Payments of Principal and Interest (SPPI) test).

<u>Investments at FVTPL</u>
Financial assets or financial liabilities at FVTPL
Financial assets and financial liabilities at FVTPL include financial assets and financial liabilities held for trading purposes and derivative instruments.

Financial instruments held-for-trading
Financial assets or financial liabilities held for trading (HFT) are recorded in the statements of condition at fair value. Included in this classification are debt securities which have been acquired principally for the purpose of selling in the near term. Changes in fair value relating to the HFT positions are recognized in 'Trading and securities gains - net'. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in other operating income under 'Miscellaneous' when the right to receive payment has been established.

Derivatives recorded at FVTPL
Derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statements of income and are included in 'Foreign exchange gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As of December 31, 2025 and 2024, derivatives consist of Republic of the Philippines (ROP) paired warrants acquired to manage the Bank's foreign currency risk, lower the risk-weighted assets and improve the capital adequacy ratio of the Bank.

NOTES TO FINANCIAL STATEMENTS

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on equity securities at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the statements of income. The Estimated Credit Loss (ECL) arising from impairment of such investments are recognized in other comprehensive income (OCI) with a corresponding charge to 'Provision for credit and impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Bank made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Dividends' when the right to receive payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of condition captions 'Due from BSP', 'Due from other banks', 'Interbank call loans receivable and SPURA', 'Investment securities at amortized cost' and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statements of income. Gains and losses are recognized in statements of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statements of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency denominated investments are recognized in the statements of income.

Other financial liabilities carried at amortized cost
This category represents issued financial instruments or their components, which are not designated at FVTPL and comprises deposit liabilities, bills payable, subordinated notes, treasurer's, cashier's and manager's checks, accrued interest payable, accrued other expenses payable, accounts payable, bills purchased-contra, other credits, dividends payable, deposits for keys-safety deposit boxes (SDB), and

overages, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on quoted market prices for similar debt instruments). The residual amount determined after deducting the fair value of the debt component is assigned to the equity component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

<u>Financial Guarantees and Undrawn Loan Commitments</u>
The Bank issues financial guarantees and loan commitments. Financial guarantees are those issued by the Bank to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in ‘Miscellaneous liabilities’ under ‘Other liabilities’.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is primarily derecognized when:

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

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control over the asset, the asset recognized to the extent of the Bank’s continuing involvement in the asset. In this case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

NOTES TO FINANCIAL STATEMENTS

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

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statements of income.

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

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "SPPI"

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

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

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

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

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase (SSURA) at a specified future date ('repos') are not derecognized from the statements of condition as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognized in the statements of condition as a loan to the Bank under 'Bills payable', reflecting the economic substance of such transaction.

Conversely, SPURA at a specified future date ('reverse repos') are not recognized in the statements of condition. The consideration paid, including accrued interest, is recognized in the statements of condition as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest amortization method.

Reclassification of Financial Assets

The Bank reclassifies its financial assets when there is a change in its business model for managing financial assets. A change in business model occurs when the Bank either begins or ceases to perform an activity that is significant to its operations. The Bank applies the reclassification prospectively from the reclassification date and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets

PFRS 9 requires the Bank to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

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

In select circumstances, accounts are individually assessed to ensure that provisions are appropriate and adequate. Manual loan classification reviews additional qualitative factors and prescribes much higher provisions that is based on portfolio historical experience.

Staging assessment

For non-credit-impaired financial instruments:

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

NOTES TO FINANCIAL STATEMENTS

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Definition of "default" and "cure"
As a part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. The Bank's definition of default is aligned with the non-performing loan criteria as prescribed in BSP Circular No. 941. Defaults refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3 ECL treatment.

An instrument is considered to be no longer in default, i.e., to have cured, when it no longer meets any of the default criteria above and there is sufficient evidence to support full collection thru payments received for at least 6 months. Cured accounts are classified under Stage 1 ECL treatment.

Significant increase in credit risk (SICR)
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative models, the borrower or counterparty's credit rating has deteriorated by at least 2 notches. On the other hand, if based on the Bank's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses, then credit risk may have significantly increased as well. Moreover, if contractual payments are more than 30 days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which amortized payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

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

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

Economic overlays and multiple economic scenarios
The Bank incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A broad range of economic indicators were considered for the economic inputs, such as GDP, GIR change, CPI change, PSE indices, foreign exchange rates and other BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank's loans and receivables consist of different portfolios, such as consumption, real estate, commercial and personal loans, as well as other receivables (e.g., sales contract receivables). In compliance with PFRS 9, the Bank developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Restructured loans
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, changes in maturity date, principal amount from capitalization of accrued interest, terms and conditions from conversion/consolidation or interest rates/repricing cycle that results in an extension in the loan maturity. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

The Bank implements a curing policy for restructured accounts compliant with BSP Circular No. 1011. Restructured accounts that have exhibited improvements in creditworthiness may be moved from Stage 3 after a total of one-year probation period. These accounts are transferred to Stage 2 after six months of full payments and consequently transferred to Stage 1 after making the next six months of full payments.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR if the original loan has a fixed interest rate and the current repriced rate if the original loan is repriceable. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the applicable interest rate, is recognized in 'Provision for credit and impairment losses' in the statements of income.

Investment in a Joint Venture
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO FINANCIAL STATEMENTS

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Bank recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Bank and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss of a joint venture is shown on the face of the statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of a joint venture are prepared for the same reporting period as the Bank. The length of the reporting period is the same from period to period. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each statement of condition date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognizes the loss as 'Share in net income of a joint venture' in the statements of income.

Upon loss of joint control over the joint venture, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

<u>Property and Equipment</u>

Land is stated at cost less any impairment in value, while depreciable properties, including building, furniture, fixtures and equipment, and leasehold improvements, are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged against profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of the property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25-50 years
Furniture, fixtures and equipment	3-5 years, depending on the type of assets
Leasehold improvements	5 years or the term of the related lease, whichever is shorter

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

<u>Leases</u>
Bank as lessee
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. *Right-of-use assets*
The Bank recognizes right-of-use assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

Office space and warehouses	1 to 20 years
ATM space	1 to 3 years

ii. *Lease liabilities*
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease

NOTES TO FINANCIAL STATEMENTS

payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank recognizes right-of-use assets and lease liabilities, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in 'Other Liabilities'.

iii. *Short-term leases and leases of low-value assets*
The Bank applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATMs and office equipment that are considered of low value (i.e., ₱250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Investment Properties</u>
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on foreclosure of real assets and other properties acquired' under 'Gain on foreclosure and sale of investment properties'. Foreclosed properties are classified under investment properties from foreclosure date. Expenditures incurred after the investment properties are recognized, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and impairment in value, except for land which is stated at cost less impairment in value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the investment properties. The estimated useful life of building and condominium units ranges from 10 to 40 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in 'Gain on foreclosure and sale of investment properties - net' in the year of retirement or disposal.

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

Chattel Mortgage Properties
Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Chattel mortgage properties acquired are initially recognized at fair value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five years.

Chattel mortgage properties are derecognized when they have either been disposed of or when the chattel mortgage property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on disposal of chattel mortgage properties are recognized in the statements of income under 'Gain (loss) on foreclosure and sale of chattel mortgage properties- net' in the year of disposal.

Intangible Assets
The Bank's intangible assets include branch licenses and computer software. An intangible asset is recognized only when the cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statements of income in the year in which the expenditure is incurred.

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

NOTES TO FINANCIAL STATEMENTS

expense on intangible assets with finite lives is recognized in the statements of income under ‘Amortization of intangible assets’.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income when the asset is derecognized.

Branch licenses
Branch licenses arise from the acquisition of branches from local banks and licenses to operate new branches from the BSP. Branch licenses have indefinite useful lives and are tested for impairment on an annual basis.

Software costs
Software costs are carried at cost less accumulated amortization and any impairment in value. Given the history of rapid changes in technology, computer software are susceptible to technological obsolescence. Therefore, it is likely that their useful life is short. Software costs are amortized on a straight-line basis over five years but maybe shorter depending on the period over which the Bank expects to use the asset.

Impairment of Non-financial Assets
Property and equipment, investment properties and chattel mortgage properties
At each statement of condition date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.

An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of condition date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognized. Such reversal is recognized in the statement of income. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill has been allocated, an impairment loss is recognized immediately in the statements of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Bank performs its annual impairment test of goodwill as at December 31 of each year.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 of each year, either individually or at the CGU level, as appropriate.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Investment in a joint venture
After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on the Bank's investment in a joint venture. The Bank determines at each statement of condition date whether there is any objective evidence that the investment a joint venture is impaired. If this is the case, the Bank calculates the amount of impairment as being the difference between the fair value of the investment in the joint venture and the carrying amount and recognizes such amount in the statements of income.

Common Stock
Common stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Capital paid in excess of par value' in the statements of condition. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements.

Service fees and commission income
Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include remittance fees, commissions, deposit-related and other credit-related fees.

NOTES TO FINANCIAL STATEMENTS

Income from sale of property and equipment, investment property and chattel mortgage properties
Income from sale of property and equipment, investment property and chattel mortgage properties is included in the profit or loss when the property is derecognized. The gain or loss arising from the derecognition of the property is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

<u>*Revenue outside the scope of PFRS 15*</u>
Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as ‘Interest income’.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in “Impairment of Financial Assets” above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Recovery on charged-off assets
Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery.

Trading and securities gains - net
Trading and securities gain (loss) represents results arising from trading activities, including all gains and losses from changes in the fair values of FVTPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

Realized gains and losses on disposals of FVTPL investments are calculated using weighted average method. It represents the difference between an instrument’s initial carrying amount and disposal amount.

Gain on disposal of investments securities at amortized cost
Gain on disposal of investment securities at amortized cost represents gain realized from sale of peso-denominated debt securities measured at amortized cost.

Rental income
Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statements of income under ‘Miscellaneous’ in other operating income.

<u>Expense Recognition</u>
Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

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

Other expense
Expenses encompass losses as well as those expenses that arise in the ordinary course of business of the Bank. Expenses are recognized when incurred.

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the acquisition cost over the share in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. The Bank's goodwill arose from past purchases of branch business/offices from the Parent Company. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Retirement Cost
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the statement of condition date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The present value of the defined benefit obligation is calculated annually by an independent actuary. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on Philippine government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. The fair value of plan assets is based on market price information. When no market price is

NOTES TO FINANCIAL STATEMENTS

available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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

<u>Contingent Liabilities and Contingent Assets</u>
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments are included in the measurement basis of the underlying debt instruments and are amortized as an adjustment to the interest on the underlying debt instruments using the effective interest method.

Income Taxes
Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items recognized directly in the statements of comprehensive income.

Current tax
Current income tax is the expected tax payable on the taxable income for the period, using the tax rates enacted at the statement of condition date, together with adjustments to tax payable in respect to prior years.

Deferred tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of condition date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses and MCIT can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of condition date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of condition date.

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

Current income tax and deferred income tax relating to items recognized directly in OCI is also recognized in OCI and not in the statements of income.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to stock dividends declared, stock rights exercised and stock splits, if any, declared during the year.

NOTES TO FINANCIAL STATEMENTS

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Bank. Dividends for the year that are approved after the statements of condition date are dealt with as subsequent events.

Segment Reporting
The Bank's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. The Bank's assets generating revenues are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

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

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

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. The Bank intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Bank's financial statements.

Effective beginning on or after January 1, 2026
- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards – Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027
- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS Accounting Standards requires the management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. The effects of any change in judgments, estimates and assumptions are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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.

<u>Judgments</u>
In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Fair value of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the statement of condition or disclosed in the notes to financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility for longer-dated derivatives and discount rates, prepayments and default rates assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Bank's financial instruments are disclosed in Note 4.

(b) *Classification of financial assets*
The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Bank performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features,

NOTES TO FINANCIAL STATEMENTS

prepayment and extension terms and other features that may modify the consideration for the time value of money.

(c) *Leases*

Bank as lessor

The Bank has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Bank as lessee

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

Extension and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Bank's right-of-use assets and lease liabilities are disclosed in Notes 11, 19 and 25, respectively.

(d) *Evaluation of business model in managing financial assets*

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

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

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(a) Credit losses on financial assets

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- The criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs. In 2025, the Bank enhanced its ECL models to reflect prevailing economic conditions and optimize capital efficiency. These refinements involved the updates to the Probability of Default (PD), Loss Given Default (LGD), and Overlay Models across the consumer loan portfolios.
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The ECL model performance is reviewed periodically, and appropriate measures are taken to ensure provisions for credit losses are adequate.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2025 and 2024 and the related allowance for credit losses are disclosed in Notes 5 and 15, respectively.

NOTES TO FINANCIAL STATEMENTS

(b) *Impairment of investment properties and chattel mortgage properties*
The Bank assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

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

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value less costs to sell for property and equipment, investment properties and chattel mortgage properties. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Bank's investment properties and chattel mortgage properties are disclosed in Notes 12 and 14, respectively.

(c) *Present value of retirement obligation*
The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of condition date.

In determining the appropriate discount rate, management considers the interest rates of Philippine government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The details of assumptions used in the actuarial valuation and carrying value of the net pension liability are disclosed in Note 24.

(d) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred assets and unrecognized deferred tax assets for the Bank are disclosed in Note 27.

(e) *Contingent liabilities*
The Bank is a defendant in legal actions arising from its normal business activities. Management believes that the ultimate liability, if any, resulting from these cases will not have a material effect on the Bank's financial statements are disclosed in Note 31.

4. Fair Value Measurement

Financial Instruments
The following describes the methodologies and assumptions used to determine the fair values of financial instruments:

Cash and other cash items, due from BSP, due from other banks, interbank call loans receivable and SPURA, accounts receivable, accrued interest receivable, bills purchased, returned checks and other cash items (RCOCI), shortages, petty cash fund, and liquidity requirement for e-money - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

Debt investments - Fair values are generally based on quoted market prices. 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, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Equity investments - Fair values are based on quoted prices published in markets.

Receivable from customers, sales contract receivables and security deposits - Fair values are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans.

Demand deposits, savings deposits, treasurer's, cashier's and manager's checks, accrued interest payable, accounts payable, bills purchased-contra, other credits, deposits for keys-SDB, payment orders payable and overages - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Bonds payable and time deposits - Fair values are estimated using the discounted cash flow methodology using the Bank's borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The discount rates used are the following:

	Discount Rates	
	2025	2024
Receivable from customers	**3.00% to 36.22%**	3.00% to 36.22%
Bonds payable	**5.88%**	–
Time deposits	**0.35% to 5.50%**	0.35% to 6.28%

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities - interpolated rates based on market rates of benchmark securities as of statement of condition date.

The inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

Non-financial Assets
Investment properties - Fair values of the investment properties have been determined based on valuations performed by independent external and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of

NOTES TO FINANCIAL STATEMENTS

investment properties was based on the Sales Comparison Approach and considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restriction, building coverage and floor area ratio restrictions among others. Other significant unobservable inputs include shape, location, time element, discount and corner influence. The fair value of investment properties is based on its highest and best use, which is its current use.

The following tables summarize the carrying amount and fair values of the Bank's financial instruments and investment properties, analyzed based on the hierarchy described in Note 2 (in thousands):

	December 31, 2025				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	**₱40**	**₱40**	**₱–**	**₱–**	**₱40**
Financial assets at FVOCI					
Government debt securities	**32,737,881**	**887,445**	**31,850,436**	**–**	**32,737,881**
Private debt securities	**342,344**	**247,167**	**95,177**	**–**	**342,344**
Equity securities	**38,456**	**38,456**	**–**	**–**	**38,456**
	₱33,118,721	**₱1,173,108**	**₱31,945,613**	**₱–**	**₱33,118,721**
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	**₱28,591,836**	**₱17,369,322**	**₱10,792,483**	**₱–**	**₱28,161,805**
Private	**10,554**	**10,676**	**–**	**–**	**10,676**
Loans and receivables					
Receivables from customers					
Consumption loans	**94,893,950**	**–**	**–**	**99,830,040**	**99,830,040**
Real estate loans	**46,407,729**	**–**	**–**	**49,209,201**	**49,209,201**
Commercial loans	**8,425,427**	**–**	**–**	**8,689,570**	**8,689,570**
Personal loans	**1,670,020**	**–**	**–**	**1,842,438**	**1,842,438**
Sales contract receivable	**3,667**	**–**	**–**	**3,657**	**3,657**
Security deposits	**220,688**	**–**	**–**	**312,499**	**312,499**
Non-Financial Assets					
Investment properties	**3,532,607**	**–**	**–**	**6,445,054**	**6,445,054**
	₱183,756,478	**₱17,379,998**	**₱10,792,483**	**₱166,332,459**	**₱194,504,940**
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	**₱105,287,541**	**₱–**	**₱–**	**₱107,590,909**	**₱107,590,909**
Bonds payable	**4,961,054,417**	**–**	**–**	**4,961,490,000**	**4,961,490,000**
	₱5,066,341,958	**₱–**	**₱–**	**₱5,069,080,909**	**₱5,069,080,909**

	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	₱300,599	₱300,599	₱–	₱–	₱300,599
Financial assets at FVOCI					
Government debt securities	25,518,904	9,294,431	16,224,473	–	25,518,904
Private debt securities	338,923	242,082	96,841	–	338,923
Equity securities	34,364	34,364	–	–	34,364
	₱26,192,790	₱9,871,476	₱16,321,314	₱–	₱26,192,790
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	₱29,020,885	₱18,000,375	₱9,759,936	₱–	₱27,760,311
Private	1,075,436	1,069,001	–	–	1,069,001
Loans and receivables					
Receivables from customers					
Consumption loans	87,967,008	–	–	92,582,152	92,582,152
Real estate loans	43,347,882	–	–	46,505,431	46,505,431
Commercial loans	7,435,282	–	–	7,567,451	7,567,451
Personal loans	1,731,395	–	–	1,875,938	1,875,938
Sales contract receivable	3,861	–	–	4,055	4,055
Security deposits	209,110	–	–	283,964	283,964
Non-Financial Assets					
Investment properties	3,640,817	–	–	6,547,753	6,547,753
	₱174,431,676	₱19,069,376	₱9,759,936	₱155,366,744	₱184,196,056
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱91,272,572	₱–	₱–	₱93,931,631	₱93,931,631
Bonds payable	–	–	–	–	–
	₱91,272,572	₱–	₱–	₱93,931,631	₱93,931,631

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 all 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. Instruments included in Level 3 include those for which there is currently no active market.

As of December 31, 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

As of December 31, 2025 and 2024, the Bank determined the market value of its warrants to be zero due to the absence of an active market for the Bank's ROP warrants, as evidenced by the unavailability of quoted market prices.

5. Financial Risk Management Policies and Objectives

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Organization risk management structure continues to be a top-down organization, with the BOD at the helm of all major initiatives.

Discussed below are the relevant sections on roles and responsibilities from the Risk Oversight Committee (ROC) Charter:

Board of Directors (BOD)
The corporate powers of the Bank are vested in and are exercised by the BOD, who conducts its business and controls its property. The BOD approves broad risk management strategies and policies and ensures that risk management initiatives and activities are consistent with the Bank's overall objectives. The BOD appoints the members of the ROC.

Risk Oversight Committee (ROC)
The ROC is composed of at least three members of the Board, the majority of whom are independent directors including its Chairperson. The ROC Chairperson is not the Chairperson of the Board or of any other committee. Members of the ROC possess a range of expertise and adequate knowledge of the Bank's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The BOD may also appoint non-directors to the ROC as part of the Metrobank Group risk oversight measures. However, only Bank directors shall be considered as voting members of the ROC. Non-voting members are appointed in an advisory capacity.

The ROC oversees the system of limits to discretionary authority that the BOD delegates to the management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

NOTES TO FINANCIAL STATEMENTS

The ROC meets on a monthly basis and is supported by the Risk Management Office (RMO). In the absence of the ROC Chairman, another Independent Director shall preside. ROC resolutions, which require the concurrence of the majority of its voting members, are presented to the BOD for confirmation.

Risk Management Office (RMO)
The RMO, headed by the Chief Risk and Sustainability Officer, is a function that is independent from executive functions and business line responsibilities, operations and revenue-generating functions. It reports directly to the BOD, through the ROC. The RMO assists the ROC in carrying out its responsibilities by:

- analyzing, communicating, implementing, and maintaining the risk management policies approved by the ROC and the BOD;
- spearheading the regular review of the Bank's risk management policy manual and making or elevating recommendations that enhance the risk management process to the ROC and the BOD, for their approval; and
- ensuring that the risks arising from the Bank's activities are identified, measured, analyzed, reported to and understood by risk takers, management, and the board. The RMO analyzes limit exceptions and recommends enhancements to the limits structure.

The RMO does not assume risk-taking accountability nor does it have approving authority. The RMO's role is to act as liaison and to provide support to the BOD, ROC, the President, management committees, risk takers and other support and control functions on risk-related matters.

The Risk Management Function is responsible for:

- identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its trust operations;
- monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the Bank's internal capital adequacy assessment on an on-going basis;
- monitoring and assessing decisions to accept particular risks whether these are consistent with BOD-approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- reporting on a regular basis to Senior Management and the BOD the results of assessment and monitoring.

President
The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

Risk management
The risk management framework aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the ROC and the BOD for approval.

a. Credit risk and concentration of assets and liabilities and off-balance sheet items

Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.

The Bank's lending business follows credit policy guidelines set by the BOD, ROC and RMO. These policies serve as minimum standards for extending credit. The people engaged in the credit process are required to understand and adhere to these policies.

Product manuals are in place for all loans and deposit products that actually or potentially expose the Bank to all types of risks that may result in financial or reputational losses. They define the product and the risks associated with the product plus the corresponding risk-mitigating controls. They embody the business plans and define the business parameters within which the product or activity is to be performed.

The system of checks around extension of credit includes approval by at least two credit approvers through the Credit Committee (CreCom), Executive Committee (ExCom) or BOD. The ROC reviews the business strategies and ensures that revenue-generating activities are consistent with the risk tolerance and standards of the Bank. The Internal Audit Group conducts regular audit across all functional units. The BOD, through the ExCom, CreCom and ROC, ensure that sound credit policies and practices are followed through all the business segments.

<u>Credit Approval</u>
Credit approval is the documented acceptance of credit risk in the credit proposal or application.

The Bank's credit decision-making for consumer loans utilizes the recommendation of the credit scoring and is performed at the CreCom level appropriate to the size and risk of each transaction, in conformity with corporate policies and procedures in regulating credit risk activities. The Bank's ExCom may approve deviations or exceptions, while the BOD approves material exceptions such as large exposures, loans to directors, officers, stockholders and other related interests (DOSRI) and related party transactions, and loan restructuring.

Credit delegation limits are identified, tracked and reviewed at least annually by the Bank's Head of Credit and Collections together with the Credit Risk Manager.

<u>Borrower Eligibility</u>
The Bank's credit processing commences when a customer expresses his intention to borrow through a credit application. The Bank gathers data on the customer; ensures they are accurate, up-to-date and adequate to meet the minimum regulatory requirements and to render credit decision. These data are used for the intended purpose only and are managed in adherence to the customer information secrecy law.

The customer's credit worthiness, repayment ability and cash flow are established before credit is extended. The Bank independently verifies critical data from the customer, ensuring compliance with Know Your Customer requirements under the anti-money laundering laws. The Bank requires that customer income be derived from legitimate sources and supported with government-accepted statements of income, assets and liabilities.

The Bank ascertains whether the customer is legally capable of entering a credit contract and of providing a charge over any asset presented as collateral for a loan. Guarantors or sureties may be accepted, provided they are a relative, partner, and have financial interest in the transaction, and they pass all credit acceptance criteria applied to the borrower.

NOTES TO FINANCIAL STATEMENTS

Loan Structure
The Bank structures loans for its customers based on the customer's capability to pay, the purpose of the loan, and for a collateralized loan, the collateral's economic life and liquidation value over time.

The Bank establishes debt burden guidelines and minimum income requirements to assess the customer's capacity to pay.

The Bank utilizes credit bureau data, both external and internal, to obtain information on a customer's current commitments and credit history.

The Bank takes into account environmental and social issues when reviewing credit proposals of small businesses and commercial mortgage customers. The Bank ensures that all qualified securities pass through the BOD for approval. Assignments of securities are confirmed and insurance are properly secured.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.

Initial loan limits are recommended by the CreCom and ExCom and approved by the BOD. The Bank ensures that secured loans are within ceilings set by local regulators. Succeeding loan availments are based on account performance and customer's credit worthiness.

Credit Management
The Bank maintains credit records and documents on all borrowings and captures transaction details in its loan systems. The credit risk policies and system infrastructure ensure that loans are monitored and managed at all times.

The Bank's Management Information System provides statistics that its business units need to identify opportunities for improving rewards without necessarily sacrificing risk. Statistical data on product, productivity, portfolio, profitability, performance and projection are made available regularly.

The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱100.0 million are put on a special monitoring.

The ROC assesses the adequacy of provisions for credit losses regularly. The Bank's automated loan grading system enables the Bank to set up provision per account. The Bank also performs impairment analyses on loans and receivables, whether on an individual or collective basis, in accordance with PFRS 9.

The Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators.

In 2024, the Bank enhanced its credit models for both scoring and provisioning to strengthen risk management and improve decision-making. Pandemic-era overlay models for consumer loans were updated to improve stability and reliability, while Application and Behavioral scoring models were recalibrated to enhance risk assessment. The Bank also refined its Probability of Default (PD) and

Loss Given Default (LGD) models to better reflect current economic conditions and optimize capital use. Separately, the Bank continues to enhance its integration of bureau and alternative data sources, further improving borrower evaluation and lending decisions. As part of its ongoing efforts to maintain portfolio quality, the Bank actively manages the credit risk of its incoming portfolio through data analytics. Regular monitoring enables timely adjustments, such as underwriting refinements and stricter credit parameters, when certain segments show elevated risk. These measures ensure that risk-taking activities remain well-controlled and aligned with the Bank's prudent credit risk management framework. These efforts reinforce the Bank's commitment to a forward-looking, data-driven approach to credit risk management.

In 2025, the Bank built on these enhancements by continuing its consumer loan model optimization agenda, further refining key ECL components to keep risk measurement responsive to current portfolio performance. Updates were complemented by sustained portfolio monitoring and disciplined underwriting controls. As risk indicators increased in the Auto Loans portfolio, the Bank implemented targeted actions such as score based adjustments, tighter credit parameters, and closer segment level review to manage incoming risk. These measures helped ensure that provisioning remained timely and appropriately reflected the direction of portfolio risk, while maintaining overall portfolio discipline.

Maximum Exposure to Credit Risk

The tables below show the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those where the carrying values as reflected in the statement of condition and related notes already represent the financial instrument's maximum exposure to credit risk, after taking into account collateral held or other credit enhancements (in thousands):

	2025			
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral or Credit Enhancement**
Due from other banks	**₱1,538,018**	**₱3,377,388**	**₱144,424**	**₱1,393,594**
Receivables from customers				
Consumption loans	**94,893,950**	**102,582,982**	**1,802,803**	**93,091,147**
Real estate loans	**46,407,729**	**79,572,807**	**10,570,252**	**35,837,477**
Commercial loans	**8,425,427**	**15,377,005**	**4,143,516**	**4,281,911**
Other receivables				
Accrued interest receivable	**2,565,546**	**858,026**	**1,707,520**	**858,026**
Sales contract receivable	**3,667**	**4,351**	–	**3,667**
Total credit exposure	**₱153,834,337**	**₱201,772,559**	**₱18,368,515**	**₱135,465,822**

	2024			
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱1,815,100	₱3,290,311	₱515,841	₱1,299,259
Receivables from customers				
Consumption loans	87,967,008	97,643,010	1,088,271	86,878,737
Real estate loans	43,347,882	73,153,677	10,202,405	33,145,477
Commercial loans	7,435,282	13,444,223	3,617,334	3,817,948
Other receivables				
Accrued interest receivable	2,319,968	941,576	1,378,391	941,577
Sales contract receivable	3,861	8,075	–	3,861
Total credit exposure	₱142,889,101	₱188,480,872	₱16,802,242	₱126,086,859

NOTES TO FINANCIAL STATEMENTS

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

	2025			
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral or Credit Enhancement**
Receivables from customers				
Consumption loans	**₱2,666,440**	**₱3,638,841**	**₱27,906**	**₱2,638,534**
Real estate loans	**1,221,202**	**1,756,506**	**387,666**	**833,536**
Commercial loans	**79,764**	**408,744**	**20,135**	**59,629**
Other receivables				
Accrued interest receivable	**85,961**	**74,384**	**11,577**	**74,384**
Sales contract receivable	**3,667**	**4,351**	**–**	**3,667**
Total credit exposure	**₱4,057,034**	**₱5,882,826**	**₱447,284**	**₱3,609,750**

	2024			
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Consumption loans	₱1,491,677	₱2,006,167	₱36,580	₱1,455,097
Real estate loans	886,020	1,382,206	272,997	613,023
Commercial loans	32,429	251,421	5,141	27,288
Other receivables				
Accrued interest receivable	65,480	42,043	23,437	42,043
Sales contract receivable	3,842	6,567	–	3,842
Total credit exposure	₱2,479,448	₱3,688,404	₱338,155	₱2,141,293

Collateral and Other Credit Enhancements

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

The main types of collaterals obtained are as follows:

- For Due from other banks: investment securities
- For SPURA: investment securities
- For commercial lending: mortgages over real estate properties, deposit accounts and securities
- For consumer lending: mortgages over real estate and chattel

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for credit and impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion and proceeds are used to repay or reduce the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and generally are updated every two years and when a loan is assessed to be impaired, whenever applicable. The Bank is not allowed to sell or re-pledge collateral held under SPURA in the absence of default by the counterparty. Collateral is usually not held against holdings in investment securities, and no such collateral was held as of December 31, 2025 and 2024. Concentration of risk is managed by borrower, by group of borrowers, by geographical region and by industry sector. As of December 31, 2025 and 2024, the maximum credit exposure to any borrower, before taking into account any collateral or other credit enhancement amounted to ₱1.0 billion.

The distribution of the Bank's financial assets before taking into account any collateral held or other credit enhancements can be analyzed by the following geographical regions (in thousands):

	2025				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Others*****	**Total**
Luzon	**₱128,583,118**	**₱7,542,208**	**₱61,727,839**	**₱272,917**	**₱198,126,082**
Visayas	**16,328,863**	**–**	**–**	**–**	**16,328,863**
Mindanao	**14,039,098**	**–**	**–**	**–**	**14,039,098**
	158,951,079	**7,542,208**	**61,727,839**	**272,917**	**228,494,043**
Less allowance for credit losses	**4,263,129**	**731**	**6,728**	**–**	**4,270,588**
Total	**₱154,687,950**	**₱7,541,477**	**₱61,721,111**	**₱272,917**	**₱224,223,455**

* Composed of due from BSP and due from other banks, interbank call loans receivable and SPURA
** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost
*** Composed of financial assets classified under other assets (such as RCOCI, security deposits, other investments, and shortages) and stand-by credit lines amounting to ₱29.4 million

	2024				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Luzon	₱121,533,652	₱3,399,935	₱56,300,349	₱306,138	₱181,540,074
Visayas	13,811,209	–	–	–	13,811,209
Mindanao	12,457,470	–	–	–	12,457,470
	147,802,331	3,399,935	56,300,349	306,138	207,808,753
Less allowance for credit losses	3,978,878	1,479	11,238	–	3,991,595
Total	₱143,823,453	₱3,398,456	₱56,289,111	₱306,138	₱203,817,158

* Composed of due from BSP and due from other banks, interbank call loans receivable and SPURA
** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost
*** Composed of financial assets classified under other assets (such as RCOCI, security deposits, other investments, and shortages) and stand-by credit lines amounting to ₱79.9 million

Additionally, the tables below show the distribution of the Bank's financial assets and off-balance sheet items before taking into account any collateral or other credit enhancements analyzed by industry sector as of December 31, 2025, and 2024 (in thousands):

	2025				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Others*****	**Total**
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	**₱100,140,774**	**₱–**	**₱–**	**₱–**	**₱100,140,774**
Financial and insurance activities	**1,406,872**	**7,542,208**	**61,727,839**	**243,476**	**70,920,395**
Real estate activities	**41,536,324**	**–**	**–**	**–**	**41,536,324**
Wholesale and retail trade; repair of motor vehicles and motorcycles	**3,203,139**	**–**	**–**	**10,200**	**3,213,339**
Administrative and support service activities	**1,208,482**	**–**	**–**	**19,241**	**1,227,723**
Transportation and storage	**1,179,982**	**–**	**–**	**–**	**1,179,982**
Electricity, gas, steam and air-conditioning supply	**896,787**	**–**	**–**	**–**	**896,787**
Manufacturing	**734,887**	**–**	**–**	**–**	**734,887**
Construction	**706,500**	**–**	**–**	**–**	**706,500**
Accommodation and food service activities	**522,004**	**–**	**–**	**–**	**522,004**
Education	**206,167**	**–**	**–**	**–**	**206,167**
Agricultural, forestry and fishing	**183,804**	**–**	**–**	**–**	**183,804**
Professional, scientific and technical services	**149,280**	**–**	**–**	**–**	**149,280**
Human health and social work activities	**105,556**	**–**	**–**	**–**	**105,556**
Arts, entertainment and recreation	**81,521**	**–**	**–**	**–**	**81,521**
Water supply, sewage, waste management and remediation activities	**73,408**	**–**	**–**	**–**	**73,408**
Information and communication	**71,473**	**–**	**–**	**–**	**71,473**
Mining and quarrying	**4,422**	**–**	**–**	**–**	**4,422**
Other service activities	**6,539,697**	**–**	**–**	**–**	**6,539,697**
	158,951,079	**7,542,208**	**61,727,839**	**272,917**	**228,494,043**
Less allowance for credit losses	**4,263,129**	**731**	**6,728**		**4,270,588**
Total	**₱154,687,950**	**₱7,541,477**	**₱61,721,111**	**₱272,917**	**₱224,223,455**

* Composed of due from BSP and due from other banks, interbank call loans receivable and SPURA
** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost
*** Composed of financial assets classified under other assets (such as RCOCI, security deposits, other investments and shortages) and stand-by credit lines amounting to ₱29.4 million

NOTES TO FINANCIAL STATEMENTS

	2024				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	₱92,786,160	₱–	₱–	₱–	₱92,786,160
Financial and insurance activities	2,036,559	3,399,935	56,300,349	226,253	61,963,096
Real estate activities	39,208,698	–	–	–	39,208,698
Wholesale and retail trade; repair of motor vehicles and motorcycles	3,132,435	–	–	–	3,132,435
Transportation and storage	993,717	–	–	–	993,717
Electricity, gas, steam and air-conditioning supply	941,191	–	–	–	941,191
Construction	739,949	–	–	79,885	819,834
Manufacturing	703,363	–	–	–	703,363
Accommodation and food service activities	293,915	–	–	–	293,915
Administrative and support service activities	290,909	–	–	–	290,909
Agricultural, forestry and fishing	187,331	–	–	–	187,331
Education	184,153	–	–	–	184,153
Professional, scientific and technical services	141,580	–	–	–	141,580
Information and communication	89,275	–	–	–	89,275
Human health and social work activities	86,864	–	–	–	86,864
Arts, entertainment and recreation	80,570	–	–	–	80,570
Water supply, sewage, waste management and remediation activities	63,316	–	–	–	63,316
Mining and quarrying	5,018	–	–	–	5,018
Other service activities	5,837,328	–	–	–	5,837,328
	147,802,331	3,399,935	56,300,349	306,138	207,808,753
Less allowance for credit losses	3,978,878	1,479	11,238	–	3,991,595
Total	₱143,823,453	₱3,398,456	₱56,289,111	₱306,138	₱203,817,158

* Composed of due from BSP and due from other banks, interbank call loans receivable and SPURA
** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost
*** Composed of financial assets classified under other assets (such as RCOCI, security deposits, other investments and shortages) and stand-by credit lines amounting to ₱79.9 million

Credit Quality

The Bank uses the standard below in defining credit quality.

High Grade exposures show low levels of expected loss. For loans, these accounts should neither be past due nor impaired. The Bank classifies those accounts under current or 1 to 30 days past due status and are not impaired (Stage 1 & 2).

Standard Grade exposures show moderate levels of expected loss. For loans, these accounts should neither be past due nor impaired.

Sub Standard Grade requires a special degree of attention given the increased risk of default. For loans, these accounts should neither be past due nor impaired.

Past Due but Not Credit Impaired are applicable to loan accounts which are classified as delinquent (31-90 days past due) but are not subject to impairment (Stage 2) as of statement of condition date.

Past Due and Credit Impaired. These include loan accounts considered to be delinquent (91+ days past due), non-performing as defined by BSP Circular No. 941.

Description of the internal credit rating system for loans, receivables and stand-by credit lines:

Internal Credit Rating System (ICRS)

The Bank rates accounts on a scale of 1 to 10, with 1 being the best, based on the Board-approved credit ratings which utilize the expected credit loss and qualitative assessments. ICRS rating assessment considers both borrower and facility features.

High Grade (ICRS Rating 1 - 4)
1 - Excellent
An excellent rating is given to a borrower with a very low probability of going into default and/or low loss given default. The Bank's internal rating system has given an outstanding rating to the borrower, indicative of excellent ability to meet credit obligation in full and consistently meet payment commitments. Accounts with excellent rating may have collateral, further diminishing any losses in case of a default.

2 - Strong
This rating is given to borrowers with low probability of going into default in the coming year with low to moderate loss given default. The Bank's internal rating system has given a high rating to the borrower. The borrower has the ability to meet credit obligation in full, except that the borrower may have a history of missing a payment.

3 - Good
This rating is given to borrowers with low to moderate probability of going into default in the coming year with moderate loss given default. These are largely characterized by borrowers with good rating and have historically missed several payments.

4 - Satisfactory
A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater with moderate to high loss given default. These are characterized by borrowers with good rating with a history of default.

Standard Grade (ICRS Rating 5)
5 - Acceptable
An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be expected to meet their credit obligations in full. These are characterized by borrowers with moderate rating.

Substandard Grade (ICRS Rating 6-8)
6 or 7 - Loan Especially Mentioned
An account assessed to have potential weaknesses which when left uncorrected, may affect the repayment of the account and thus increase credit risk to the Bank, will be assigned this rating.

8 - Substandard
These accounts or portion thereof involves a substantial and an unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. These accounts show possibility of future loss to the Bank unless given closer supervision and well-defined weaknesses that jeopardize the account liquidation.

Past Due but Not Credit Impaired
Otherwise known as under-performing loans, these accounts are characterized as showing signs of deterioration. These include loans that are delinquent by 31-90 days and are not subject to impairment (Stage 2) regardless of ICRS rating.

Past Due and Credit Impaired
Otherwise known as non-performing loans, these accounts are already impaired. These include accounts under Stage 3 ECL, delinquent by 91+ days and considered non-performing as defined by BSP Circular No. 941 regardless of ICRS rating. The following credit ratings will always be classified as credit impaired:

NOTES TO FINANCIAL STATEMENTS

9 - Doubtful
Given to an account assessed to have characteristics where collection and liquidation in full is highly improbable and in which substantial loss is probable.

10 - Loss
Given to an account assessed to loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets are not warranted.

The credit quality of receivables from customers, gross of allowance for credit losses, as of December 31, 2025 and 2024 follows (in thousands):

	2025						
	Stage 1		Stage 2				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Consumption Loans:							
High Grade	**₱–**	**₱77,481,462**	**₱–**	**₱–**	**₱–**	**₱–**	**₱77,481,462**
Standard Grade	–	**7,749,219**	–	–	–	–	**7,749,219**
Sub-standard Grade	–	–	–	**3,429,751**	–	–	**3,429,751**
Past Due but Not Impaired	–	–	–	**5,052,384**	–	–	**5,052,384**
Non-performing Individually Impaired	–	–	–	–	**4,147,357**	–	**4,147,357**
	–	**85,230,681**	–	**8,482,135**	**4,147,357**	–	**97,860,173**
Real Estate Loans:							
High Grade	–	**41,119,753**	–	–	–	–	**41,119,753**
Standard Grade	–	–	–	–	–	–	
Sub-standard Grade	–	–	–	**2,890,789**	–	–	**2,890,789**
Past Due but Not Impaired	–	–	–	**1,315,782**	–	–	**1,315,782**
Non-performing Individually Impaired	–	–	–	–	**1,330,695**	–	**1,330,695**
	–	**41,119,753**	–	**4,206,571**	**1,330,695**	–	**46,657,019**
Commercial Loans:							
High Grade	–	**8,093,432**	–	–	–	–	**8,093,432**
Standard Grade	–	**26,541**	–	–	–	–	**26,541**
Sub-standard Grade	–	**16,634**	–	**269,195**	–	–	**285,829**
Past Due but Not Impaired	–	–	–	–	–	–	–
Non-performing Individually Impaired	–	–	–	–	254,118	–	**254,118**
	–	**8,136,607**	–	**269,195**	**254,118**	–	**8,659,920**
Personal Loans:							
High Grade	–	**436,390**	–	–	–	–	**436,390**
Standard Grade	–	**137,442**	–	–	–	–	**137,442**
Sub-standard Grade	–	–	–	**1,048,379**	–	–	**1,048,379**
Past Due but Not Impaired	–	–	–	**108,273**	–	–	**108,273**
Non-performing Individually Impaired	–	–	–	–	**177,104**	–	**177,104**
	–	**573,832**	–	**1,156,652**	**177,104**	–	**1,907,588**
Total Receivables from Customer:							
High Grade	–	**127,131,037**	–	–	–	–	**127,131,037**
Standard Grade	–	**7,913,202**	–	–	–	–	**7,913,202**
Sub-standard Grade	–	**16,634**	–	**7,638,114**	–	–	**7,654,748**
Past Due but Not Impaired	–	–	–	**6,476,439**	–	–	**6,476,439**
Non-performing Individually Impaired	–	–	–	–	**5,909,274**	–	**5,909,274**
	₱–	**₱135,060,873**	**₱–**	**₱14,114,553**	**₱5,909,274**	**₱–**	**₱155,084,700**

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans:							
High Grade	₱–	₱71,766,544	₱–	₱–	₱–	₱–	₱71,766,544
Standard Grade	–	9,004,975	–	–	–	–	9,004,975
Sub-standard Grade	–	–	–	3,755,240	–	–	3,755,240
Past Due but Not Impaired	–	–	–	3,625,060	–	–	3,625,060
Non-performing Individually Impaired	–	–	–	–	2,306,915	–	2,306,915
	–	80,771,519	–	7,380,300	2,306,915	–	90,458,734
Real Estate Loans:							
High Grade	–	37,963,620	–	–	–	–	37,963,620
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	3,563,113	–	–	3,563,113
Past Due but Not Impaired	–	–	–	1,187,181	–	–	1,187,181
Non-performing Individually Impaired	–	–	–	–	1,057,327	–	1,057,327
	–	37,963,620	–	4,750,294	1,057,327	–	43,771,241

(Forward)

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Commercial Loans:							
High Grade	₱–	₱453,682	₱–	₱–	₱–	₱–	₱453,682
Standard Grade	–	135,883	–	–	–	–	135,883
Sub-standard Grade	–	–	–	191,959	–	–	191,959
Past Due but Not Impaired	–	–	–	27,773	–	–	27,773
Non-performing Individually Impaired		–	–	–	217,624	–	217,624
	–	7,231,816	–	219,732	217,624	–	7,669,172
Personal Loans:							
High Grade	–	453,682	–	–	–	–	453,682
Standard Grade	–	135,883	–	–	–	–	135,883
Sub-standard Grade	–	–	–	1,229,425	–	–	1,229,425
Past Due but Not Impaired	–	–	–	23,961	–	–	23,961
Non-performing Individually Impaired	–	–	–	–	151,875	–	151,875
	–	589,565	–	1,253,386	151,875	–	1,994,826
Total Receivables from Customer:							
High Grade	–	117,365,052	–	–	–	–	117,365,052
Standard Grade	–	9,191,467	–	–	–	–	9,191,467
Sub-standard Grade	–	–	–	8,739,737	–	–	8,739,737
Past Due but Not Impaired	–	–	–	4,863,976	–	–	4,863,976
Non-performing Individually Impaired	–	–	–	–	3,733,741	–	3,733,741
	₱–	₱126,556,519	₱–	₱13,603,713	₱3,733,741	₱–	₱143,893,973

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2025 and 2024 follows (in thousands):

	2025						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Accrued Interest Receivable:							
High Grade	**₱–**	**₱2,177,420**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,177,420**
Standard Grade	**–**	**72,198**	**–**	**–**	**–**	**–**	**72,198**
Sub-standard Grade	**–**	**85**	**–**	**113,822**	**–**	**–**	**113,907**
Past Due but Not Impaired	**–**	**–**	**–**	**137,887**	**–**	**–**	**137,887**
Non-performing Individually Impaired	**–**	**–**	**–**	**–**	**135,853**	**–**	**135,853**
	–	**2,249,703**	**–**	**251,709**	**135,853**	**–**	**2,637,265**
Accounts Receivable:							
High Grade	**–**	**676,031**	**–**	**–**	**–**	**–**	**676,031**
Standard Grade	**–**	**37**	**–**	**–**	**–**	**–**	**37**
Sub-standard Grade	**–**	**–**	**–**	**29,787**	**–**	**–**	**29,787**
Past Due but Not Impaired	**–**	**–**	**–**	**12,672**	**–**	**–**	**12,672**
Non-performing Individually Impaired	**–**	**–**	**–**	**–**	**506,525**	**–**	**506,525**
	–	**676,068**	**–**	**42,459**	**506,525**	**–**	**1,225,052**
Sales Contract Receivable:							
High Grade	–	–	–	–	–	–	–
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	–	–	–	–
Past Due but Not Impaired	–	–	–	–	–	–	–
Non-performing Individually Impaired	**–**	**–**	**–**	**–**	**3,814**	**–**	**3,814**
	–	**–**	**–**	**–**	**3,814**	**–**	**3,814**
Total Other Receivables:							
High Grade	**–**	**2,853,451**	**–**	**–**	**–**	**–**	**2,853,451**
Standard Grade	**–**	**72,235**	**–**	**–**	**–**	**–**	**72,235**
Sub-standard Grade	**–**	**85**	**–**	**143,609**	**–**	**–**	**143,694**
Past Due but Not Impaired	**–**	**–**	**–**	**150,559**	**–**	**–**	**150,559**
Non-performing Individually Impaired	**–**	**–**	**–**	**–**	**646,192**	**–**	**646,192**
	₱–	**₱2,925,771**	**₱–**	**₱294,168**	**₱646,192**	**₱–**	**₱3,866,131**

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable:							
High Grade	₱–	₱1,921,600	₱–	₱–	₱–	₱–	₱1,921,600
Standard Grade	–	82,467	–	–	–	–	82,467
Sub-standard Grade	–	58	–	148,943	–	–	149,001
Past Due but Not Impaired	–	–	–	123,719	–	–	123,719
Non-performing Individually Impaired	–	–	–	–	90,895	–	90,895
	–	2,004,125	–	272,662	90,895	–	2,367,682

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accounts Receivable:							
High Grade	₱–	₱1,016,552	₱–	₱–	₱–	₱–	₱1,016,552
Standard Grade	–	19	–	–	–	–	19
Sub-standard Grade	–		–	23,314	–	–	23,314
Past Due but Not Impaired	–		–	11,391	–	–	11,391
Non-performing Individually Impaired	–		–	–	485,175	–	485,175
	–	1,016,571	–	34,705	485,175	–	1,536,451
Sales Contract Receivable:							
High Grade	–	18	–	–	–	–	18
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	–	–	–	–
Past Due but Not Impaired	–	–	–	–	–	–	–
Non-performing Individually Impaired	–	–	–	–	4,207	–	4,207
	–	18	–	–	4,207	–	4,225
Total Other Receivables:							
High Grade	–	2,938,170	–	–	–	–	2,938,170
Standard Grade	–	82,486	–	–	–	–	82,486
Sub-standard Grade	–	58	–	172,257	–	–	172,315
Past Due but Not Impaired	–	–	–	135,110	–	–	135,110
Non-performing Individually Impaired	–	–	–	–	580,277	–	580,277
	₱–	₱3,020,714	₱–	₱307,367	₱580,277	₱–	₱3,908,358

The credit quality of other financial assets which include RCOCI, security deposits, other investments, shortages and liquidity requirement for electronic money products, gross of allowance for credit losses amounting as of December 31, 2025 and 2024 follows (in thousands):

	2025						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Other Financial Assets							
High Grade	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Standard Grade	**–**	**384,563**					**384,563**
Sub-standard Grade	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Past Due but Not Impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-performing Individually Impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**₱–**	**384,563**	**₱–**	**₱–**	**₱–**	**₱–**	**384,563**

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	Individual	Collective
Other Financial Assets							
High Grade	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Standard Grade	–	382,376	–	–	–	–	382,376
Sub-standard Grade	–	–	–	–	–	–	–
Past Due but Not Impaired	–	–	–	–	–	–	–
Non-performing Individually Impaired	–	–	–	–	–	–	–
Total	₱–	₱382,376	₱–	₱–	₱–	₱–	₱382,376

Movements of receivables from customers as of December 31, 2025 and 2024 follow (in thousands):

	2025						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Consumption Loans							
Balance as of January 1, 2025	**₱–**	**₱80,771,519**	**₱–**	**₱7,380,300**	**₱2,306,915**	**₱–**	**₱90,458,734**
New assets originated	**–**	**33,595,445**	**–**	**1,586,798**	**1,080,760**	**–**	**36,263,003**
Assets derecognized or repaid	**–**	**(23,028,636)**	**–**	**(3,734,395)**	**(1,555,856)**	**–**	**(28,318,887)**
Amounts written off	**–**	**–**	**–**	**(3)**	**(542,674)**	**–**	**(542,677)**
Transfers to Stage 1	**–**	**2,403,933**	**–**	**(2,318,201)**	**(85,732)**	**–**	**–**
Transfers to Stage 2	**–**	**(6,501,612)**	**–**	**6,597,236**	**(95,624)**	**–**	**–**
Transfers to Stage 3	**–**	**(2,009,968)**	**–**	**(1,029,600)**	**3,039,568**	**–**	**–**
Balance at December 31, 2025	**–**	**85,230,681**	**–**	**8,482,135**	**4,147,357**	**–**	**97,860,173**

(Forward)

	2025						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Real Estate Loans							
Balance as of January 1, 2025	₱–	₱37,963,620	₱–	₱4,750,294	₱1,057,327	₱–	₱43,771,241
New assets originated	–	9,538,725	–	–	538	–	9,539,263
Assets derecognized or repaid	–	(5,330,118)	–	(1,024,370)	(298,997)	–	(6,653,485)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	1,610,857	–	(1,522,643)	(88,214)	–	–
Transfers to Stage 2	–	(2,318,127)	–	2,448,422	(130,295)	–	–
Transfers to Stage 3	–	(345,204)	–	(445,132)	790,336	–	–
Balance at December 31, 2025	–	41,119,753	–	4,206,571	1,330,695	–	46,657,019
Commercial Loans							
Balance as of January 1, 2025	–	7,231,816	–	219,732	217,624	–	7,669,172
New assets originated	–	2,993,172	–	–	–	–	2,993,172
Assets derecognized or repaid	–	(1,932,725)	–	(27,627)	(42,072)	–	(2,002,424)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	21,913	–	(21,913)	–	–	–
Transfers to Stage 2	–	(112,250)	–	112,250	–	–	–
Transfers to Stage 3	–	(65,319)	–	(13,247)	78,566	–	–
Balance at December 31, 2025	–	8,136,607	–	269,195	254,118	–	8,659,920
Personal Loans							
Balance as of January 1, 2025	–	589,565	–	1,253,386	151,875	–	1,994,826
New assets originated	–	445,355	–	353,712	2,122	–	801,189
Assets derecognized or repaid	–	(439,434)	–	(369,227)	(12,653)	–	(821,314)
Amounts written off	–	–	–	(15,887)	(51,226)	–	(67,113)
Transfers to Stage 1	–	92,198	–	(92,181)	(17)	–	–
Transfers to Stage 2	–	(96,468)	–	96,840	(372)	–	–
Transfers to Stage 3	–	(17,384)	–	(69,991)	87,375	–	–
Balance at December 31, 2025	–	573,832	–	1,156,652	177,104	–	1,907,588
Total Receivable from Customer							
Balance at January 1, 2025	–	126,556,520	–	13,603,712	3,733,741	–	143,893,973
New assets originated	–	46,572,697	–	1,940,510	1,083,420	–	49,596,627
Assets derecognized or repaid	–	(30,730,913)	–	(5,155,619)	(1,909,578)	–	(37,796,110)
Amounts written off	–	(1,903)	–	(15,890)	(593,900)	–	(609,790)
Transfers to Stage 1	–	4,128,901	–	(3,954,938)	(173,963)	–	–
Transfers to Stage 2	–	(9,028,457)	–	9,254,748	(226,291)	–	–
Transfers to Stage 3	–	(2,437,875)	–	(1,557,970)	3,995,845	–	–
Balance at December 31, 2025	₱–	₱135,060,873	₱–	₱14,114,553	₱5,909,274	₱–	₱155,084,700

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans							
Balance as of January 1, 2024	₱–	₱66,866,116	₱–	₱5,602,677	₱2,588,653	₱–	₱75,057,446
New assets originated	–	38,208,861	–	1,372,461	661,533	–	40,242,855
Assets derecognized or repaid	–	(18,216,916)	–	(4,012,839)	(1,524,993)	–	(23,754,748)
Amounts written off	–	–	–	(113,217)	(973,602)	–	(1,086,819)
Transfers to Stage 1	–	1,138,674	–	(1,067,396)	(71,278)	–	–
Transfers to Stage 2	–	(6,026,831)	–	6,123,848	(97,017)	–	–
Transfers to Stage 3	–	(1,198,385)	–	(525,234)	1,723,619	–	–
Balance at December 31, 2024	–	80,771,519	–	7,380,300	2,306,915	–	90,458,734
Real Estate Loans							
Balance as of January 1, 2024	–	21,175,066	–	18,700,596	1,301,558	–	41,177,220
New assets originated	–	8,943,325	–	74,970	47,063	–	9,065,358
Assets derecognized or repaid	–	(3,862,639)	–	(2,283,661)	(325,037)	–	(6,471,337)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	12,742,296	–	(12,650,949)	(91,347)	–	–
Transfers to Stage 2	–	(926,250)	–	1,251,227	(324,977)	–	–
Transfers to Stage 3	–	(108,178)	–	(341,890)	450,068	–	–
Balance at December 31, 2024	–	37,963,620	–	4,750,293	1,057,328	–	43,771,241
Commercial Loans							
Balance as of January 1, 2024	–	6,249,102	–	196,051	304,086	–	6,749,239
New assets originated	–	3,056,702	–	18,230	–	–	3,074,932
Assets derecognized or repaid	–	(2,009,561)	–	(56,545)	(88,893)	–	(2,154,999)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	20,211	–	(17,463)	(2,748)	–	–
Transfers to Stage 2	–	(79,282)	–	81,597	(2,315)	–	–
Transfers to Stage 3	–	(5,356)	–	(2,138)	7,494	–	–
Balance at December 31, 2024	–	7,231,816	–	219,732	217,624	–	7,669,172

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Personal Loans							
Balance as of January 1, 2024	₱–	₱937,606	₱–	₱966,769	₱198,724	₱–	₱2,103,099
New assets originated	–	489,283	–	362,115	14,197	–	865,595
Assets derecognized or repaid	–	(584,308)	–	(230,263)	(45,578)	–	(860,149)
Amounts written off	–	–	–	(33,359)	(80,360)	–	(113,719)
Transfers to Stage 1	–	75,291	–	(75,215)	(76)	–	–
Transfers to Stage 2	–	(314,403)	–	314,501	(98)	–	–
Transfers to Stage 3	–	(13,904)	–	(51,163)	65,067	–	–
Balance at December 31, 2024	–	589,565	–	1,253,385	151,876	–	1,994,826
Total Receivable from Customer							
Balance at January 1, 2024	–	95,227,890	–	25,466,093	4,393,021	–	125,087,004
New assets originated	–	50,698,171	–	1,827,776	722,793	–	53,248,740
Assets derecognized or repaid	–	(24,673,424)	–	(6,583,308)	(1,984,501)	–	(33,241,233)
Amounts written off	–	–	–	(146,576)	(1,053,962)	–	(1,200,538)
Transfers to Stage 1	–	13,976,472	–	(13,811,023)	(165,449)	–	–
Transfers to Stage 2	–	(7,346,766)	–	7,771,173	(424,407)	–	–
Transfers to Stage 3	–	(1,325,823)	–	(920,425)	2,246,248	–	–
Balance at December 31, 2024	₱–	₱126,556,520	₱–	₱13,603,710	₱3,733,743	₱–	₱143,893,973

Movements of other receivables as of December 31, 2025 and 2024 follow (in thousands):

	2025						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Accrued Interest Receivable							
Balance as of January 1, 2025	**₱–**	**₱2,004,125**	**₱–**	**₱272,662**	**₱90,895**	**₱–**	**₱2,367,682**
New assets originated	**–**	**332,245**	**–**	**49,305**	**39,429**	**–**	**420,979**
Assets derecognized or repaid	**–**	**(15,152)**	**–**	**(83,361)**	**(52,883)**	**–**	**(151,396)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**53,575**	**–**	**(51,595)**	**(1,980)**	**–**	**–**
Transfers to Stage 2	**–**	**(96,034)**	**–**	**98,722**	**(2,688)**	**–**	**–**
Transfers to Stage 3	**–**	**(29,056)**	**–**	**(34,024)**	**63,080**	**–**	**–**
Balance at December 31, 2025	**–**	**2,249,703**	**–**	**251,709**	**135,853**	**–**	**2,637,265**
Sales Contract Receivable							
Balance at January 1, 2025	**–**	**18**	**–**	**–**	**4,207**	**–**	**4,225**
New assets originated	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**–**	**(18)**	**–**	**–**	**(393)**	**–**	**(411)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2025	**–**	**–**	**–**	**–**	**3,814**	**–**	**3,814**
Total Other Receivables							
Balance at January 1, 2025	**–**	**2,004,143**	**–**	**272,662**	**95,102**	**–**	**2,371,907**
New assets originated	**–**	**332,245**	**–**	**49,305**	**39,429**	**–**	**420,979**
Assets derecognized or repaid	**–**	**(15,170)**	**–**	**(83,361)**	**(53,276)**	**–**	**(151,807)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**53,575**	**–**	**(51,595)**	**(1,980)**	**–**	**–**
Transfers to Stage 2	**–**	**(96,034)**	**–**	**98,722**	**(2,688)**	**–**	**–**
Transfers to Stage 3	**–**	**(29,056)**	**–**	**(34,024)**	**63,080**	**–**	**–**
Balance at December 31, 2025	**₱–**	**₱2,249,703**	**₱–**	**₱251,709**	**₱139,667**	**₱–**	**₱2,641,079**

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable							
Balance as of January 1, 2024	₱–	₱1,749,129	₱–	₱511,827	₱137,734	₱–	₱2,398,690
New assets originated	–	396,042	–	43,885	25,385	–	465,312
Assets derecognized or repaid	–	(218,176)	–	(164,604)	(113,540)	–	(496,320)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	189,903	–	(186,936)	(2,967)	–	–
Transfers to Stage 2	–	(91,877)	–	98,603	(6,726)	–	–
Transfers to Stage 3	–	(20,896)	–	(30,113)	51,009	–	–
Balance at December 31, 2024	–	2,004,125	–	272,662	90,895	–	2,367,682
Sales Contract Receivable							
Balance at January 1, 2024	–	421	–	228	6,302	–	6,951
New assets originated	–	–	–	–	–	–	–
Assets derecognized or repaid	–	(564)	–	(67)	(2,095)	–	(2,726)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	161	–	(161)	–	–	–
Transfers to Stage 2	–	–	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–	–	–
Balance at December 31, 2024	–	18	–	–	4,207	–	4,225

(Forward)

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Total Other Receivables							
Balance at January 1, 2024	₱–	₱1,749,550	₱–	₱512,055	₱144,036	₱–	₱2,405,641
New assets originated	–	396,042	–	43,885	25,385	–	465,312
Assets derecognized or repaid	–	(218,740)	–	(164,671)	(115,635)	–	(499,046)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	190,064	–	(187,097)	(2,967)	–	–
Transfers to Stage 2	–	(91,877)	–	98,603	(6,726)	–	–
Transfers to Stage 3	–	(20,896)	–	(30,113)	51,009	–	–
Balance at December 31, 2024	₱–	₱2,004,143	₱–	₱272,662	₱95,102	₱–	₱2,371,907

External Ratings

For investment securities, in ensuring quality investment portfolio, the Bank uses the credit risk rating from published data providers like Moody’s, Standard & Poor’s (S&P) or other reputable rating agencies.

Presented here is Moody’s rating – equivalent S&P rating and other rating agencies applies:

Credit Quality	**External Rating**									
High grade	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2	B3				
Substandard grade	Caa1	Caa2	Caa3	Ca	C					

High grade - represents those investments which fall under any of the following grade:

Aaa - fixed income obligations are judged to be of the highest quality, with the smallest degree of risk.

Aa1, Aa2, Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1, A2, A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.

Standard grade - represents those investments which fall under any of the following grade:

Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.

B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.

Substandard grade - represents those investments which fall under any of the following grade:

Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.

Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2025 and 2024 the following tables show the credit quality of loans and advances to banks (in thousands).

	2025						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Due from BSP							
High Grade	₱400,670	₱–	₱–	₱–	₱–	₱–	₱400,670
Due from other banks							
High Grade	1,538,748	–	–	–	–	–	1,538,748
Total Loans and Advances to Banks							
High Grade	₱1,939,418	₱–	₱–	₱–	₱–	₱–	₱1,939,418

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Due from BSP							
High Grade	₱1,183,357	₱–	₱–	₱–	₱–	₱–	₱1,183,357
Due from other banks							
High Grade	1,816,578	–	–	–	–	–	1,816,578
Total Loans and Advances to Banks							
High Grade	₱2,999,935	₱–	₱–	₱–	₱–	₱–	₱2,999,935

As of December 31, 2025 and 2024, the following table shows the credit quality of the Bank's investment securities (in thousands):

	2025						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
FVTPL - Government Debt Securities							
High Grade	₱40	₱–	₱–	₱–	₱–	₱–	₱40
	40	–	–	–	–	–	40
FVOCI - Government Debt Securities							
High Grade	32,737,881	–	–	–	–	–	32,737,881
	₱32,737,881	₱–	₱–	₱–	₱–	₱–	₱32,737,881
FVOCI - Private Debt Securities							
Standard Grade	₱342,344	₱–	₱–	₱–	₱–	₱–	₱342,344
	₱342,344	₱–	₱–	₱–	₱–	₱–	₱342,344
Investment Securities at Amortized Cost							
- Government Debt Securities							
High Grade	₱28,598,538	₱–	₱–	₱–	₱–	₱–	₱28,598,538
	₱28,598,538	₱–	₱–	₱–	₱–	₱–	₱28,598,538
Investment Securities at Amortized Cost							
- Private Debt Securities							
Standard Grade	₱10,580	₱–	₱–	₱–	₱–	₱–	₱10,580
	₱10,580	₱–	₱–	₱–	₱–	₱–	₱10,580
Total Investment Securities							
High Grade	₱61,336,459	₱–	₱–	₱–	₱–	₱–	₱61,336,459
Standard Grade	352,924	–	–	–	–	–	352,924
	₱61,689,383	₱–	₱–	₱–	₱–	₱–	₱61,689,383

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
FVTPL - Government Debt Securities							
High Grade	₱300,599	₱–	₱–	₱–	₱–	₱–	₱300,599
	₱300,599	₱–	₱–	₱–	₱–	₱–	₱300,599
FVOCI - Government Debt Securities							
High Grade	₱25,518,904	₱–	₱–	₱–	₱–	₱–	₱25,518,904
	₱25,518,904	₱–	₱–	₱–	₱–	₱–	₱25,518,904
FVOCI - Private Debt Securities							
Standard Grade	₱338,923	₱–	₱–	₱–	₱–	₱–	₱338,923
	₱338,923	₱–	₱–	₱–	₱–	₱–	₱338,923
Investment Securities at Amortized Cost							
- Government Debt Securities							
High Grade	₱29,031,234	₱–	₱–	₱–	₱–	₱–	₱29,031,234
	₱29,031,234	₱–	₱–	₱–	₱–	₱–	29,031,234
Investment Securities at Amortized Cost							
- Private Debt Securities							
Standard Grade	₱1,076,325	₱–	₱–	₱–	₱–	₱–	₱1,076,325
	₱1,076,325	₱–	₱–	₱–	₱–	₱–	₱1,076,325
Total Investment Securities							
High Grade	₱54,850,737	₱–	₱–	₱–	₱–	₱–	₱54,850,737
Standard Grade	1,415,248	–	–	–	–	–	1,415,248
	₱56,265,985	₱–	₱–	₱–	₱–	₱–	₱56,265,985

All of the Bank's loan commitments and financial guarantees amounting to ₱29.4 million and ₱79.8 million as of December 31, 2025 and 2024, respectively, are classified as high grade under Stage 1.

ECL Methodology Overview

Two modelling approaches are employed to build a consistent framework for the development of all ECL models of the Bank. Both modeling approaches consider past events, current conditions and forecast of economic conditions in assessing impairment.

The complex model approach is used for portfolios with a significant number of historical defaults. This approach is applied to the consumer loan portfolios. These quantitative models are built by applying statistical, economic, financial or mathematical theories, techniques and assumptions to calculate provisions. Where historical data are insufficient to develop statistical models, such as for Business Loans, Account Receivables, Sales Contract Receivables, etc. the simplified ECL approach is employed. The Bank observes the historical PD and LGD of the portfolio and applies forward looking economic data on PD to calculate the ECL.

Classification of Individual/Collective Impairment

The Bank calculates provisions either in a collective or individual basis.

Collective impairment calculates risk provisions by grouping exposures into smaller homogeneous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the expected credit loss models. All Stage 1 accounts of the Bank are categorized under collective impairment.

Individual impairment is applicable for all accounts under Stage 3 or accounts deemed as significant exposures and show objective evidence of impairment. The indicators may be default in payment, restructuring, litigation or probable foreclosure.

As of December 31, 2025 and 2024, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	2025					
	Number of days past due					
	Up to 30 days	**31-60 days**	**61-90 days**	**91-180 days**	**180 days**	**Total**
Receivables from customers						
Consumption loans	**₱230,051**	**₱3,674,264**	**₱1,617,814**	**₱1,722,878**	**₱1,964,857**	**₱9,209,864**
Real estate loans	**667,366**	**1,104,735**	**391,952**	**310,404**	**547,318**	**3,021,775**
Commercial loans	**155,639**	**70,570**	**6,516**	**12,341**	**218,875**	**463,941**
Personal loans	**65,550**	**16,259**	**10,989**	**29,004**	**91,961**	**213,763**
Total	**₱1,118,606**	**₱4,865,828**	**₱2,027,271**	**₱2,074,627**	**₱2,823,011**	**₱12,909,343**

	2024					
	Number of days past due					
	Up to 30 days	31-60 days	61-90 days	91-180 days	180 days	Total
Receivables from customers						
Consumption loans	₱106,279	₱2,641,709	₱1,061,729	₱1,137,327	₱1,002,401	₱5,949,445
Real estate loans	573,541	1,040,297	263,701	177,224	538,867	2,593,630
Commercial loans	20,632	17,781	9,992	363	204,518	253,286
Personal loans	57,409	16,250	9,403	24,231	80,481	187,774
Total	₱757,861	₱3,716,037	₱1,344,825	₱1,339,145	₱1,826,267	₱8,984,135

NOTES TO FINANCIAL STATEMENTS

b. Market risk

Market risk management covers the areas of trading and interest rate risks. The Bank utilizes various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters. The Bank revalues its trading portfolios on a daily basis and checks the revenue or loss generated by each portfolio in relation to their level of market risk.

The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

Market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments (trading market risk) and from movements in interest rates (interest rate risk). The Bank's market risk originates primarily from holding peso and dollar-denominated debt securities. The Bank utilizes Value-at-Risk (VaR) to measure and manage market risk exposure. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given confidence level over a specified holding period.

Trading activities
The Bank's trading portfolios consist of peso- and dollar-denominated debt securities that are marked-to- market daily. We use BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.

VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model is based on a historical simulation methodology with a one-day holding period and a 99% confidence level. The Bank establishes limits for trading portfolios and VaR, and comply with regulatory standards. VaR reports are prepared to closely monitor potential losses against approved VaR limit. In addition, actual daily profit and loss levels are monitored against loss triggers. If there is a breach in the VaR limit or loss triggers, Treasury Group is expected to close or reduce their position and bring it down within the limit. Breaches in the limit requires approval of ALCO, President, or ROC/Board, as appropriate.

The Bank performs back testing to validate the VaR model. Results are reported to the ROC and BOD on a monthly basis. Stress testing is also conducted based on historical maximum percentage daily movement and on various ad-hoc rate shock scenarios to estimate potential losses in a crisis situation.

Responsibility for managing the Bank's trading market risk remains with the ROC. With the support of RMO, the ROC recommends to the BOD changes in market risk limits, approving authorities and other activities that need special consideration.

Discussed below are the limitations and assumptions applied by the Bank on its VaR methodology:

a. VaR is a statistical estimate and thus, does not give the precise amount of loss;
b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a bank's exposure to market risk;
c. Historical simulation does not involve any distributional assumptions, scenarios that are used in computing VaR are limited to those that occurred in the historical sample; and

d. VaR systems are backward-looking. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Major shifts therefore (i.e., an unexpected collapse of the market) are not captured and may inflict losses much bigger than anything the VaR model may have calculated.

The Bank's interest rate VaR follows (in millions):

	December 31, 2025		December 31, 2024	
	Peso	**USD**	**Peso**	**USD**
Year-end	**0**	**–**	1	–
Average	**1**	**–**	2	–
High	**2**	**–**	7	–
Low	**0**	**–**	0	–

Non-trading activities

The Bank follows a prudent policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits.

One method by which the Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of "gap" analysis. This analysis provides the Bank with a static view of the maturity and repricing characteristics of the positions in its statement of condition. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates, whichever is earlier. Items lacking definitive repricing schedule (e.g., current and savings accounts) are assigned to repricing tenor buckets based on analysis of deposit behavioral patterns, past experience and/or expert judgment. The difference in the amount of assets and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The interest rate sensitivity gap report measures interest rate risk by identifying gaps between the repricing dates of assets and liabilities. The Bank's sensitivity gap model calculates the effect of possible rate movements on its interest rate profile.

EaR measures the possible decline in the Bank's net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months. The Bank's EaR limits are based on a percentage of the Bank's projected earnings for the year or capital whichever is lower. The Bank also performs stress-testing to measure the impact of various scenarios based on interest rate volatility and shift in the yield curve. The EaR and stress testing reports are prepared on a monthly basis.

The ALCO is responsible for managing the Bank's structural interest rate exposure. The ALCO's goal is to achieve a desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. The RMO and ROC review and oversee the Bank's interest rate risks.

NOTES TO FINANCIAL STATEMENTS

The table below demonstrates the sensitivity of equity. Equity sensitivity was computed by calculating mark-to-market changes of debt securities at FVOCI, assuming a parallel shift in the yield curve.

	2025		2024	
	Change in basis points	**Sensitivity of equity**	Change in basis points	Sensitivity of equity
Currency				
PHP	**+10**	**(₱150,160,502)**	+10	(₱63,063,125)
USD	**+10**	**(110,971)**	+10	(112,495)
Currency				
PHP	**-10**	**151,055,705**	-10	63,359,147
USD	**-10**	**111,955**	-10	113,580

The table below demonstrates the sensitivity of net interest income using the EAR model. Net interest income sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	2025		2024	
	Change in basis points	**Sensitivity of NII**	Change in basis points	Sensitivity of NII
Currency				
PHP	**+10**	**(₱44,444,567)**	+10	(₱31,359,106)
USD	**+10**	**(8,885,634)**	+10	(8,945,289)
Currency				
PHP	**-10**	**44,444,567**	-10	31,359,106
USD	**-10**	**8,855,634**	-10	8,945,289

The Bank employs the Delta EVE model to measure the overall change in the economic value of the bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel, as well as scenarios internally developed by the Bank.

Foreign Currency Risk

Foreign currency risk is the risk of an investment's value changing due to an adverse movement in currency exchange rates. It arises due to a mismatch in the Bank’s foreign currency assets and liabilities. The Bank uses BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.

The Bank’s policy is to maintain foreign currency exposure within the approved position, stop loss, loss trigger, VaR limits and to remain within existing regulatory guidelines. To compute for VaR, the Bank uses historical simulation model for USD/PHP FX position, with confidence level at 99.00% and a 1 day holding period. The Bank’s VaR for its foreign exchange position for trading and non-trading activities are as follows (in thousands):

	2025[1]	2024[1]
As of year-end	**₱585**	₱59
Average	**1,084**	785
High	**1,666**	1,676
Low	**397**	59

[1]*Using Historical Simulation VaR*

As of December 31, 2025 and 2024, the Bank is not exposed to significant foreign currency risk.

c. Liquidity risk

The Bank's policy on liquidity management emphasizes on three elements of liquidity, namely, cashflow management, ability to borrow in the interbank market, and maintenance of a stock of high-quality liquid assets. These three approaches complement one another with greater weight being given to a particular approach, depending upon the circumstances. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.

The main tool that the Bank uses for monitoring its liquidity is the Maximum Cumulative Outflow (MCO) reports, which is also called liquidity gap or maturity matching gap reports. The MCO is a useful tool in measuring and analyzing the Bank's cash flow projections and monitoring liquidity risks.

The MCO is generated by distributing the cash flows of the Bank's assets, liabilities and off-balance sheet items to time bands based on cash flow expectations such as contractual maturity, nature of the account, behavioral patterns and projections on business strategies. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report that realistically captures the behavior of the products and creates a forward-looking cash flow projection.

Cash flows from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Bank is said to have a positive liquidity gap or has excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Bank is said to have a negative liquidity gap or has funding needs for the given time bucket.

The Bank's Liquidity Contingency Funding Plan (LCFP) projects the Bank's funding position during stress to help evaluate the Bank's funding needs and strategies under various stress conditions.

The Bank discourages dependence on Large Funds Providers (LFPs) and monitors the deposit funding concentrations so that it will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits and there are enough high-quality liquid assets to fund LFP withdrawals. ALCO is responsible for managing the liquidity of the Bank while RMO and ROC review and oversee the Bank's overall liquidity risk management.

To mitigate potential liquidity problems caused by unexpected withdrawals of significant deposits, the Bank takes steps to cultivate good business relationships with clients and financial institutions, maintains high level of high-quality liquid assets, monitors the deposit funding concentrations and regularly updates the Liquidity Contingency Funding Plan. The Bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are managed on a daily basis to ensure compliance with the required regulatory ratios.

NOTES TO FINANCIAL STATEMENTS

Financial assets

Analysis of equity and debt securities at FVTPL and financial assets at FVOCI into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date and does not consider the behavioral pattern of the creditors. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

Analysis of Financial Assets and Liabilities by Remaining Maturities

The tables below show the maturity profile of the Bank's financial assets and liabilities based on contractual undiscounted repayment obligations (in millions):

	2025							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Assets								
Financial assets at FVTPL	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Financial assets at FVOCI	–	–	–	–	–	–	–	–
Government securities	–	–	50	–	73	123	32,615	32,738
Private securities	–	–	–	–	247	247	95	342
Quoted equity securities	38	–	–	–	–	38	–	38
Investment securities at amortized cost								
Government bonds	–	–	–	1,499	–	1,499	27,100	28,599
Private securities	–	–	–	–	–	–	11	11
Loans and receivables								
Loans and advances to banks								
Due from BSP	401	–	–	–	–	401	–	401
Due from other banks	1,539	–	–	–	–	1,539	–	1,539
Interbank call loans receivable and SPURA	5,603	–	–	–	–	5,603	–	5,603
Receivables from customers								
Consumption loans	36	23	111	301	1,475	1,946	95,916	97,862
Real estate loans	143	126	373	496	1,127	2,265	44,452	46,717
Commercial loans	331	753	1,305	484	906	3,779	4,880	8,659
Personal loans	145	64	160	217	662	1,248	661	1,909
Other receivables								
Accrued interest receivable	141	57	268	1,029	15	1,510	1,127	2,637
Accounts receivable	1,182	5	29	8	–	1,224	–	1,224
Sales contract receivable	4	–	–	–	–	4	–	4
Other assets								
Security deposits	–	2	4	8	19	33	189	222
RCOCI	22	–	–	–	–	22	–	22
	₱9,585	₱1,030	₱2,300	₱4,042	₱4,524	₱21,481	₱207,046	₱228,527
Financial Liabilities								
Deposit liabilities								
Demand	₱25,829	₱–	₱–	₱–	₱–	₱25,829	₱–	₱25,829
Savings	48,723	–	–	–	–	48,723	–	48,723
Time	447	60,611	22,274	3,805	1,285	88,422	19,169	107,591
LTNCD	–	–	–	–	–	–	–	–
	74,999	60,611	22,274	3,805	1,285	162,974	19,169	182,143
Treasurer's, cashier's and manager's checks	816	–	–	–	–	816	–	816
Bills payable	–	–	–	–	–	–	–	–
Accrued interest payable	320	–	–	–	–	320	–	320
Accrued other expenses payable	1,999	–	–	–	–	1,999	–	1,999
Other liabilities								
Accounts payable	1,462	–	–	–	–	1,462	–	1,462
Lease liabilities	–	38	76	110	209	433	714	1,147
Other credits	231	–	–	–	–	231	–	231
Deposit for keys	1	–	–	–	–	1	–	1
	₱79,828	₱60,649	₱22,350	₱3,915	₱1,494	₱168,236	₱19,883	₱188,119

	2024							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Assets								
Financial assets at FVTPL	₱301	₱–	₱–	₱–	₱–	₱301	₱–	₱301
Financial assets at FVOCI	–	–	–	–	–	–	–	–
Government securities	–	8,469	–	49	180	8,698	16,821	25,519
Private securities	–	–	–	–	–	–	339	339
Quoted equity securities	34	–	–	–	–	34	–	34
Investment securities at amortized cost								
Government bonds	–	578	–	–	1,728	2,306	26,724	29,030
Private securities	–	–	229	72	775	1,076	–	1,076
Loans and receivables								
Loans and advances to banks	–	–	–	–	–	–	–	–
Due from BSP	1,183	–	–	–	–	1,183	–	1,183
Due from other banks	1,817	–	–	–	–	1,817	–	1,817
Interbank call loans receivable and SPURA	400	–	–	–	–	400	–	400
Receivables from customers								
Consumption loans	86	50	224	512	1,259	2,131	88,330	90,461
Real estate loans	151	129	374	494	1,105	2,253	41,592	43,845
Commercial loans	213	641	807	691	899	3,251	4,417	7,668
Personal loans	131	63	167	216	726	1,303	692	1,995
Other receivables								
Accrued interest receivable	531	963	108	–	12	1,614	753	2,367
Accounts receivable	1,026	27	6	6	9	1,074	463	1,537
Sales contract receivable	4	–	–	–	–	4	–	4
Other assets								
Security deposits	–	1	1	2	15	19	190	209
RCOCI	17	–	–	–	–	17	–	17
	₱5,894	₱10,921	₱1,916	₱2,042	₱6,708	₱27,481	₱180,321	₱207,802
Financial Liabilities								
Deposit liabilities								
Demand	₱25,535	₱–	₱–	₱–	₱–	₱25,535	₱–	₱25,535
Savings	47,745	–	–	–	–	47,745	–	47,745
Time	420	50,916	19,529	2,175	895	73,935	19,997	93,932
LTNCD								
	73,700	50,916	19,529	2,175	895	147,215	19,997	167,212
Treasurer's, cashier's and manager's checks	1,615	–	–	–	–	1,615	–	1,615
Bills payable		–	–	–	–	–	–	
Accrued interest payable	321	–	–	–	–	321	–	321
Accrued other expenses payable	191	–	1,734	–	–	1,925	–	1,925
Other liabilities								
Accounts payable	2,072	–	–	–	–	2,072	–	2,072
Lease liabilities	–	35	70	106	199	410	782	1,192
Other credits	222	–	–	–	–	222	–	222
Deposit for keys	1	–	–	–	–	1	–	1
	₱78,122	₱50,951	₱21,333	₱2,281	₱1,094	₱153,781	₱20,779	₱174,560

6. Segment Information

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets. The Bank's reportable segments are as follows:

a. Consumer Banking - principally provides consumer-type loans generated by the Home Office;
b. Corporate Banking - principally handles loans and other credit facilities for small and medium enterprises, corporate and institutional customers acquired in the Home Office;
c. Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and
d. Treasury - principally handles institutional deposit accounts, providing money market, trading and treasury services, as well as managing the Bank's funding operations by use of government securities and placements and acceptances with other banks.

These segments are the bases on which the Bank reports its primary segment information. The Bank evaluates performance on the basis of information about the components of the Bank that senior management uses to make decisions about operating matters. There are no other operating segments than those identified by the Bank as reportable segments. There were no inter-segment revenues and

NOTES TO FINANCIAL STATEMENTS

expenses included in the financial information. The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Primary segment information (by business segment) for the years ended December 31, 2025, 2024 and 2023 follows (in thousands):

	2025				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱6,151,466	₱268,098	₱8,115,602	₱2,946,764	₱17,481,930
Service fees and commission	689,274	17,875	1,014,532	–	1,721,681
Other operating income	93,462	11,688	563,740	428,904	1,097,794
Total operating income	6,934,202	297,661	9,693,874	3,375,668	20,301,405
Non-cash expenses					
Provision for credit and impairment losses	2,303,219	9,939	55,706	(5,064)	2,363,800
Depreciation	387,878	3,280	681,261	771	1,073,190
Amortization of intangible assets	102,894	1,051	35,283	4,271	143,499
Total non-cash expenses	2,793,991	14,270	772,250	(22)	3,580,489
Interest expense	–	–	2,435,070	1,874,445	4,309,515
Service fees and commission expense	31,239	810	45,980	–	78,029
Subtotal	31,239	810	2,481,050	1,874,445	4,387,544
Compensation and fringe benefits	1,148,709	70,582	2,838,570	30,474	4,088,335
Taxes and licenses	509,810	10,024	514,269	467,522	1,501,625
Occupancy and equipment-related costs	121,207	417	216,220	142	337,986
Security, messengerial and janitorial services	235,388	3,066	357,419	568	596,441
Miscellaneous	664,215	10,975	1,056,772	90,931	1,822,893
Subtotal	2,679,329	95,064	4,983,250	589,637	8,347,280
Income before share in net income of a joint venture and income tax	1,429,643	187,517	1,457,324	911,608	₱3,986,092
Share in net income of a joint venture					50,222
Income before income tax					4,036,314
Provision for income tax					534,829
Net income					₱3,501,485
Segment assets	₱122,385,438	₱3,561,919	₱52,568,340	₱56,447,686	₱234,963,383
Investment in a joint venture					904,205
Deferred tax assets					1,432,778
Total assets					₱237,300,366
Segment liabilities	₱1,761,458	₱142,331	₱130,632,809	₱58,663,875	₱191,200,473

	2024				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱4,498,367	₱228,609	₱8,126,983	₱4,019,166	₱16,873,125
Service fees and commission	686,995	17,365	1,201,076	–	1,905,436
Other operating income	459,255	8,126	715,405	22,572	1,205,358
Total operating income	5,644,617	254,100	10,043,464	4,041,738	19,983,919
Non-cash expenses					
Provision for credit and impairment losses	73,939	22,986	119,968	(2,454)	214,439
Depreciation	291,761	3,276	656,306	437	951,780
Amortization of intangible assets	50,255	857	55,922	4,324	111,358
Total non-cash expenses	415,955	27,119	832,196	2,307	1,277,577
Interest expense	–	–	2,494,013	2,081,572	4,575,585
Service fees and commission expense	32,398	819	56,640	–	89,857
Subtotal	32,398	819	2,550,653	2,081,572	4,665,442
Compensation and fringe benefits	1,098,412	67,928	2,890,106	32,222	4,088,668
Taxes and licenses	454,804	9,773	550,830	505,570	1,520,977
Occupancy and equipment-related costs	103,817	556	250,795	90	355,258
Security, messengerial and janitorial services	202,418	2,701	358,746	260	564,125
Miscellaneous	504,893	10,278	1,039,274	87,820	1,642,265
Subtotal	2,364,344	91,236	5,089,751	625,962	8,171,293
Income before share in net income of a joint venture and income tax	2,831,920	134,926	1,570,864	1,331,897	₱5,869,607
Share in net income of a joint venture					68,023
Income before income tax					5,937,630
Provision for income tax					729,188
Net income					5,208,442
Segment assets	₱111,122,145	₱3,085,367	₱50,235,843	₱49,702,873	214,146,228
Investment in a joint venture					892,037
Deferred tax assets					1,318,508
Total assets					₱216,356,773
Segment liabilities	₱1,875,800	₱146,764	₱116,459,188	₱53,769,093	₱172,250,845

	2023				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱3,818,782	₱593,849	₱7,918,866	₱5,292,768	₱17,624,265
Service fees and commission	586,757	12,506	1,193,480	–	1,792,743
Other operating income	953,163	7,814	607,681	22,922	1,591,580
Total operating income	5,358,702	614,169	9,720,027	5,315,690	21,008,588
Non-cash expenses					
Provision for credit and impairment losses	1,267,662	50,112	138,210	(4,894)	1,451,090
Depreciation	209,247	2,932	626,693	1,264	840,136
Amortization of intangible assets	37,485	944	67,087	697	106,213
Total non-cash expenses	1,514,394	53,988	831,990	(2,933)	2,397,439
Interest expense	–	–	2,514,801	3,283,288	5,798,089
Service fees and commission expense	21,465	458	43,661	–	65,584
Subtotal	21,465	458	2,558,462	3,283,288	5,863,673
Compensation and fringe benefits	981,002	59,622	2,736,065	35,026	3,811,715
Taxes and licenses	409,260	11,358	513,802	738,107	1,672,527
Occupancy and equipment-related costs	89,823	571	247,741	330	338,465
Security, messengerial and janitorial services	134,936	2,006	293,958	339	431,239
Miscellaneous	476,514	9,635	1,065,178	139,519	1,690,846
Subtotal	2,091,535	83,192	4,856,744	913,321	7,944,792
Income before share in net income of a joint venture and income tax	₱1,731,308	₱476,531	₱1,472,831	₱1,122,014	₱4,802,684
Share in net income of a joint venture					86,341
Income before income tax					4,889,025
Benefit from income tax					357,963
Net income					₱4,531,062
Segment assets	₱96,310,679	₱2,287,007	₱46,653,000	₱91,054,823	₱236,305,509
Investment in a joint venture					870,179
Deferred tax assets					1,257,608
Total assets					₱238,433,296
Segment liabilities	₱1,401,753	₱94,864	₱138,894,328	₱57,888,193	₱198,279,138

7. Due from Bangko Sentral ng Pilipinas, Interbank Call Loans Receivable and Securities Purchased Under Resale Agreements

Due from Bangko Sentral ng Pilipinas
This account consists of the following:

	2025	2024
Demand deposit (Note 16)	**₱400,670,316**	₱1,183,357,292

Due from BSP - Overnight Deposit Facility (ODF) bears annual interest rates ranging from 4.00% to 5.25% in 2025, from 5.25% to 6.00% in 2024 and from 5.00% to 6.00% in 2023. On the other hand, due from BSP - Term Deposit (TD) bears annual interest rates ranging from 5.76% to 5.95% in 2025, from 6.06% to 6.67% in 2024, and from 6.28% to 6.71% in 2023.

Interbank Call Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)
This account consists of the following:

	2025	2024
Interbank call loans receivable	**₱5,602,790,000**	₱400,000,000

Interbank call loans (IBCL) represent short-term lending with counterparty banks and other financial institutions. These are highly liquid instruments which mature within one to five days.

NOTES TO FINANCIAL STATEMENTS

SPURA are lending to counterparties collateralized by government securities. The Bank is not permitted to sell or repledge the related collateral in the absence of default by the counterparty.

Foreign currency-denominated IBCLs bear annual interest ranging from 3.50% to 4.50% in 2025, from 5.00% to 5.51% in 2024 and from 4.00% to 4.50% in 2023, while peso-denominated IBCL of the Bank bear annual interest rate ranging from 4.56% to 5.94% in 2025, from 5.91% to 6.59% in 2024 and from 6.19% to 6.41% in 2023. SPURA of the Bank bears annual interest rates ranging from 4.75% to 6.00 % in 2025, from 5.95% to 6.58% in 2024 and from 5.50% to 6.40% in 2023.

Interest income on due from BSP, interbank call loans receivable and SPURA are as follows:

	2025	2024	2023
Due from BSP	**₱55,667,071**	₱345,049,668	₱1,397,792,663
IBCL and SPURA			
IBCL (Note 29)	**148,059,877**	109,478,588	24,751,029
SPURA	**48,752,791**	238,088,674	394,630,077
	196,812,668	347,567,262	419,381,106
	₱252,479,739	₱692,616,930	₱1,817,173,769

8. Investment Securities

Fair Value Through Profit or Loss (FVTPL) Investments
FVTPL investments consist of the following:

	2025	2024
Government debt securities	**₱40,224**	₱300,599,156

The unrealized portion of the trading securities gains/(losses) on FVTPL investments amounted to ₱3.2 million in 2025, (₱5.0 million) in 2024 and ₱1.8 million in 2023.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)
Financial assets at FVOCI consist of the following:

	2025	2024
Debt securities		
Government	**₱32,737,881,005**	₱25,518,903,960
Private	**342,343,526**	338,922,873
Equity securities		
Quoted	**38,456,160**	34,364,018
	₱33,118,680,691	₱25,892,190,851

As of December 31, 2025 and 2024, the Bank deposited financial assets at FVOCI with total carrying value of ₱119.7 million and ₱119.5 million, respectively, in the form of government bonds with BSP, in compliance with trust regulations (Note 30).

As of December 31, 2025, and 2024, the ECL on financial assets at FVOCI (included in 'Fair value reserves on financial assets at FVOCI') amounted ₱0.9 million and to ₱0.7 million (Note 15). Movements in the fair value reserves on financial assets at FVOCI follow:

	2025	2024
Balance at beginning of year	**₱16,969,886**	₱70,794,457
(Gain) from sale of financial assets at FVOCI realized in profit or loss	**(409,422,012)**	(24,247,623)
Changes in allowance for ECL (Note 15)	**194,406**	(74,924)
Fair value gain (loss) recognized in OCI	**215,670,956**	(29,502,024)
Balance at end of year	**(₱176,586,764)**	₱16,969,886

Investment Securities at Amortized Cost
Investment securities at amortized cost consist of the following:

	2025	2024
Debt securities		
Government	**₱28,598,538,381**	₱29,031,233,731
Private	**10,580,000**	1,076,325,394
	28,609,118,381	30,107,559,125
Less allowance for credit losses (Note 15)	**6,727,886**	11,237,913
	₱28,602,390,495	₱30,096,321,212

In 2025 and 2024, investment securities at amortized cost include Bureau of Treasury bonds pledged by the Bank to MBTC to secure its payroll account, with total carrying value of ₱63.0 million and ₱63.2 million, respectively.

Interest income on investment securities consists of:

	2025	2024	2023
Interest income recognized using EIR			
Financial assets at FVOCI	**₱1,331,028,195**	₱1,962,062,126	₱2,948,166,683
Investment securities at amortized cost	**1,343,304,830**	1,310,561,907	1,359,495,255
	2,674,333,025	3,272,624,033	4,307,661,938
Interest income recognized using nominal interest rates			
FVTPL investments	**11,564,999**	44,019,337	3,495,728
	₱2,685,898,024	₱3,316,643,370	₱4,311,157,666

EIR on peso-denominated financial assets at FVOCI investments as of December 31, 2025, 2024, and 2023 range from 5.54% to 6.04%, from 5.98% to 6.73% and from 6.34% to 6.74%, respectively. EIR on foreign currency-denominated financial assets at FVOCI investments as of December 31, 2025, 2024 and 2023 range from 4.63% to 4.84%, from 4.44% to 4.98% and from 6.34% to 6.74%, respectively.

On the other hand, EIR on peso-denominated investment securities at amortized cost range from 5.28% to 5.52% in 2025, from 5.02% to 5.39% in 2024 and from 4.99% to 5.55% in 2023, while EIR on foreign currency-denominated investment securities at amortized cost range from 3.18% to 3.39% in 2025, from 3.27% to 3.49% in 2024 and from 3.28% to 3.65% in 2023.

NOTES TO FINANCIAL STATEMENTS

Trading and securities gains (losses) - net on investment securities consist of:

	2025	2024	2023
Financial assets at FVOCI	**₱409,422,012**	₱24,247,623	(₱677,047)
FVTPL investments (Note 29)	**2,617,922**	(9,956,515)	5,970,945
	₱412,039,934	₱14,291,108	₱5,293,898

9. Loans and Receivables

This account consists of:

	2025	2024
Receivables from customers		
Consumption loans	**₱97,860,338,357**	₱90,460,340,931
Real estate loans	**46,716,550,004**	43,844,550,817
Commercial loans	**8,659,919,776**	7,669,171,911
Personal loans (Note 29)	**1,907,588,421**	1,994,825,782
	155,144,396,558	143,968,889,441
Less unearned discounts and capitalized interest	**59,696,079**	74,916,465
	155,084,700,479	143,893,972,976
Other receivables		
Accrued interest receivable	**2,637,264,631**	2,367,681,595
Accounts receivable (Note 29)	**1,225,052,199**	1,536,451,201
Sales contract receivables	**3,813,871**	4,224,875
Bills purchased (Note 19)	**247,234**	–
	158,951,078,414	147,802,330,647
Less allowance for credit losses (Note 15)	**4,263,128,796**	3,978,878,079
	₱154,687,949,618	₱143,823,452,568

Personal loans comprise deposit collateral loans, employee salary and consumer loan products such as money card, multi-purpose loan and flexi-loan.

As of December 31, 2025, 2024 and 2023, 33.93%, 33.73%, and 35.65%, respectively, of the total receivables from customers are subject to periodic interest repricing with average EIR of 8.34%, 8.45%, and 8.50% in 2025, 2024 and 2023, respectively. Remaining receivables earn average annual fixed interest rates of 17.25%, 16.96%, and 16.43%, in 2025, 2024 and 2023, respectively.

Interest income on loans and receivables consists of:

	2025	2024	2023
Receivables from customers			
Consumption loans	**₱9,626,903,663**	₱8,235,230,464	₱6,871,709,159
Real estate loans	**3,828,948,675**	3,598,209,707	3,504,027,484
Personal loans (Note 29)	**588,127,308**	515,338,079	627,081,379
Commercial loans	**490,788,676**	505,100,429	476,440,498
Other receivables			
Sales contract receivables	**397,330**	79,968	200,864
	₱14,535,165,652	₱12,853,958,647	₱11,479,459,384

Interest income from restructured loans amounted to ₱4.3 million, ₱7.1 million, and ₱10.7 million in 2025, 2024, and 2023, respectively.

On March 24, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the Enhanced Community Quarantine (ECQ) Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest, and other charges.

Accretion of modified loans amounted to ₱15.0 million, ₱40.1 million and ₱70.1 million in 2025, 2024, and 2023, respectively (Note 23).

10. Investment in a Joint Venture

The Bank's investment in a joint venture represents its 30.00% interest in Sumisho Motor Finance Corporation (SMFC) as of December 31, 2025 and 2024.

SMFC was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 26, 2009. It started commercial operations in March 2010. Its principal office is located at 12th Floor, PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City.

SMFC is engaged in the business of lending or leasing to retail customers for their purchase of motorcycles.

Management has assessed that the Bank continues to have joint control over SMFC together with GT Capital, Sumitomo Japan, and Sumitomo Corporation of the Philippines (Sumitomo Group), as all investors are bound by all terms and conditions of the original Joint Venture Agreement between the Bank and Sumitomo Group, where unanimous consent is required from all the parties for SMFC's relevant activities.

The investment is measured using the equity method. As of December 31, 2025, and 2024, the Bank's investment in a joint venture amounted to ₱904.2 million and ₱892.0 million, respectively. Movement in this account follows (in thousands):

	2025	2024
Balance at beginning of year	**₱892,037**	₱870,179
Share in net income (Note 29)	**50,222**	68,023
Share in remeasurement losses on retirement plan (Note 29)	**(73)**	(3,757)
Share in hedge reserves (Note 29)	–	(9,707)
Dividends received (Note 29)	**(37,981)**	(32,701)
Balance at end of year	**₱904,205**	₱892,037

NOTES TO FINANCIAL STATEMENTS

The following table illustrates the summarized financial information of SMFC (in thousands):

	2025	2024
Current assets	**₱3,323,810**	₱3,365,975
Non-current assets	**3,326,194**	3,009,267
Current liabilities	**(3,562,180)**	(3,322,004)
Non-current liabilities	**(73,806)**	(79,782)
Net assets	**₱3,014,018**	₱2,973,456

	2025	2024
Cash and cash equivalents	**₱351,272**	₱473,387
Current financial liabilities	**(3,556,073)**	(3,307,846)
Non-current financial liabilities	**(41,047)**	(42,169)

	2025	2024	2023
Revenues	**₱1,972,034**	₱1,720,970	₱1,803,734
Less: Costs and expenses	**1,718,214**	1,419,524	1,539,695
	253,820	301,446	264,039
Less: Provision for (benefit from) income tax	**86,413**	74,703	(23,764)
Net income	**167,407**	226,743	287,803
Add: Other comprehensive income	**(243)**	(44,882)	(32,357)
Total comprehensive income	**₱167,163**	₱181,861	₱255,446

	2025	2024	2023
Interest income	**₱1,629,058**	₱1,768,569	₱1,715,112
Interest expense	**176,477**	259,724	240,397
Depreciation and amortization	**111,560**	116,796	96,437
Income tax expense	**91,700**	74,703	62,536

Cost of the investment as of December 31, 2025 and 2024 amounted to ₱600.0 million.

On June 19, 2025, SMFC declared dividends of ₱6.33 per share amounting to a total of ₱126.6 million. The same was paid to shareholders on July 14, 2025.

On June 28, 2024, SMFC declared dividends of ₱5.45 per share amounting to a total of ₱109.0 million. The same was paid to shareholders on July 23, 2024.

SMFC is a private company and there is no quoted market price available for its shares. The net assets of SMFC consist mainly of financial assets and financial liabilities.

The Bank has no share in any contingent liabilities or capital commitments of SMFC as of December 31, 2025 and 2024. There are also no agreements entered into by SMFC that may restrict dividends and other capital contributions to be paid, loans and advances to be made or repaid to or from the Bank as of the said dates.

11. Property and Equipment

The composition of and movements in this account follow:

	2025					
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-use Assets: Building**	**Total**
Cost						
Balance at beginning of the period	**₱976,443,676**	**₱1,170,665,641**	**₱3,629,982,990**	**₱1,154,075,306**	**₱1,974,787,786**	**₱8,905,955,399**
Acquisitions/Additions	–	**31,244,800**	**172,684,717**	**9,239,201**	**424,872,914**	**638,041,632**
Disposals/Retirement	–	–	**(128,155,672)**	–	**(376,374,814)**	**(504,530,486)**
Others	–	–	–	–	**(15,359,807)**	**(15,359,807)**
Balance at end of the period	**976,443,676**	**1,201,910,441**	**3,674,512,035**	**1,163,314,507**	**2,007,926,079**	**9,024,106,738**
Accumulated Depreciation						
Balance at beginning of the period	–	**670,430,083**	**2,984,801,478**	**1,096,905,753**	**960,695,297**	**5,712,832,611**
Depreciation	–	**36,778,074**	**223,347,900**	**24,527,238**	**445,157,387**	**729,810,599**
Disposals/Retirement	–	–	**(112,070,017)**	–	**(374,266,756)**	**(486,336,773)**
Others	–	**389,523**	**19,943,645**	–	**(7,325,383)**	**13,007,785**
Balance at end of the period	–	**707,597,680**	**3,116,023,006**	**1,121,432,991**	**1,024,260,545**	**5,969,314,222**
Net Book Value	**₱976,443,676**	**₱494,312,761**	**₱558,489,029**	**₱41,881,516**	**₱983,665,534**	**₱3,054,792,516**

	2024					
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₱976,443,676	₱1,164,846,258	₱3,415,338,919	₱1,131,384,796	₱1,963,591,638	₱8,651,605,287
Acquisitions/Additions	–	5,819,383	290,698,956	22,690,510	451,270,041	770,478,890
Disposals/Retirement	–	–	(76,054,885)	–	(440,073,893)	(516,128,778)
Balance at end of the period	976,443,676	1,170,665,641	3,629,982,990	1,154,075,306	1,974,787,786	8,905,955,399
Accumulated Depreciation						
Balance at beginning of the period	–	634,324,894	2,835,102,506	1,070,267,248	969,953,262	5,509,647,910
Depreciation	–	35,717,687	192,372,030	26,638,505	430,815,928	685,544,150
Disposals/Retirement	–	–	(42,673,058)	–	(440,073,893)	(482,746,951)
Others	–	387,502	–	–	–	387,502
Balance at end of the period	–	670,430,083	2,984,801,478	1,096,905,753	960,695,297	5,712,832,611
Net Book Value	₱976,443,676	₱500,235,558	₱645,181,512	₱57,169,553	₱1,014,092,489	₱3,193,122,788

Gain on sale of property and equipment amounted to ₱5.0 million in 2025 and ₱3.9 million in 2024 and 2023.

The details of depreciation under the statements of income follow:

	2025	2024	2023
Property and equipment	**₱729,810,599**	₱685,544,150	₱638,017,299
Chattel mortgage properties (Note 14)	**259,984,753**	177,285,886	109,360,006
Investment properties (Note 12)	**83,395,035**	88,949,946	92,758,455
	₱1,073,190,387	₱951,779,982	₱840,135,760

As of December 31, 2025 and 2024, property and equipment of the Bank with gross carrying amounts of ₱2.5 billion and ₱2.4 billion, respectively, are fully depreciated but are still being used.

NOTES TO FINANCIAL STATEMENTS

12. Investment Properties

The composition of and movements in this account follow:

	2025		
	Land	**Building Improvements**	**Total**
Cost			
Balance at beginning of year	**₱1,329,617,968**	**₱3,001,618,060**	**₱4,331,236,028**
Additions (Note 32)	**107,646,007**	**440,696,452**	**548,342,459**
Disposals	**(193,438,428)**	**(466,527,943)**	**(659,966,371)**
Balance at end of year	**1,243,825,547**	**2,975,786,569**	**4,219,612,116**
Accumulated Depreciation			
Balance at beginning of year	–	**506,028,887**	**506,028,887**
Depreciation (Note 11)	–	**83,395,035**	**83,395,035**
Disposals	–	**(71,307,494)**	**(71,307,494)**
Balance at end of year	–	**518,116,428**	**518,116,428**
Allowance for Impairment Losses			
Balance at beginning of year	**59,761,915**	**124,628,324**	**184,390,239**
Provisions for the year (Note 15)	**(2,313,985)**	**11,003,668**	**8,689,683**
Disposals	**(5,523,298)**	**(18,667,771)**	**(24,191,069)**
Balance at end of year	**51,924,632**	**116,964,221**	**168,888,853**
Net Book Value	**₱1,191,900,915**	**₱2,340,705,920**	**₱3,532,606,835**

	2024		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,404,474,771	₱3,221,547,911	₱4,626,022,682
Additions (Note 32)	112,105,951	360,751,014	472,856,965
Disposals	(186,962,754)	(580,680,865)	(767,643,619)
Balance at end of year	1,329,617,968	3,001,618,060	4,331,236,028
Accumulated Depreciation			
Balance at beginning of year	–	486,395,513	486,395,513
Depreciation (Note 11)	–	88,949,946	88,949,946
Disposals	–	(69,316,572)	(69,316,572)
Balance at end of year	–	506,028,887	506,028,887
Allowance for Impairment Losses			
Balance at beginning of year	56,127,134	148,549,851	204,676,985
Provisions (reversals) for the year (Note 15)	4,325,980	12,233,573	16,559,553
Disposals	(691,199)	(36,155,100)	(36,846,299)
Balance at end of year	59,761,915	124,628,324	184,390,239
Net Book Value	₱1,269,856,053	₱2,370,960,849	₱3,640,816,902

The details of the net book value of investment properties follow:

	2025	2024
Real estate properties acquired in settlement of loans and receivables	**₱3,465,277,918**	₱3,569,659,560
Bank premises leased to third parties and held for capital appreciation	**67,328,917**	71,157,342
	₱3,532,606,835	₱3,640,816,902

As of December 31, 2025 and 2024, the aggregate fair value of investment properties amounted to ₱6.4 billion and ₱6.5 billion, respectively. Fair value of the properties was determined using sales comparison approach. Fair values are based on valuations performed by accredited external and in-house appraisers.

Gain on foreclosure of investment properties amounted to ₱211.3 million, ₱205.1 million, and ₱233.5 million in 2025, 2024 and 2023, respectively. Gain on sale of investment properties amounted to ₱167.4 million, ₱215.6 million, and ₱128.4 million in 2025, 2024 and 2023, respectively. Rental income on investment properties included in 'Miscellaneous income' amounted to ₱63.3 million, ₱59.1 million, and ₱47.2 million in 2025, 2024 and 2023, respectively (Notes 23 and 25).

Operating expenses incurred in maintaining investment properties (included under miscellaneous expense - 'Repairs and maintenance') amounted to ₱8.7 million, ₱9.3 million, and ₱10.2 million in 2025, 2024, and 2023, respectively (Note 26).

13. Intangible Assets and Goodwill

This account consists of:

	2025	2024
Goodwill	**₱53,558,338**	₱53,558,338
Intangible assets		
Software costs	**344,721,060**	370,106,912
Branch licenses	**37,123,737**	37,123,737
	381,844,797	407,230,649
	₱435,403,135	₱460,788,987

Movements in intangible assets follow:

	2025		
	Software Costs	**Branch Licenses**	**Total)**
Balance at beginning of year	**₱370,106,912**	**₱37,123,737**	**₱407,230,649**
Additions	**118,113,642**	**–**	**118,113,642**
Amortization	**(143,499,494)**	**–**	**(143,499,494)**
Balance at end of year	**₱344,721,060**	**₱37,123,737**	**₱381,844,797**

	2024		
	Software Costs	Branch Licenses	Total)
Balance at beginning of year	₱207,515,121	₱37,123,737	₱244,638,858
Additions	273,949,744	–	273,949,744
Amortization	(111,357,953)	–	(111,357,953)
Balance at end of year	₱370,106,912	₱37,123,737	₱407,230,649

NOTES TO FINANCIAL STATEMENTS

14. **Other Assets**

This account consists of:

	2025	2024
Financial assets		
Security deposits (Note 29)	**₱220,687,690**	₱209,109,716
Liquidity requirement for electronic money products	**141,087,333**	156,123,260
RCOCI	**22,337,336**	16,695,847
Others*	**450,940**	447,040
	384,563,299	382,375,863
Non-financial assets		
Chattel mortgage properties - net	**1,258,748,718**	855,404,299
Prepayments (Note 29)	**299,182,419**	165,991,028
Net retirement assets (Note 24)	**186,580,171**	63,522,505
Stationeries and supplies on hand	**39,936,333**	38,662,995
Documentary stamps on hand	**14,568,120**	28,949,779
Creditable withholding tax	–	24,116,778
Others**	**119,691,762**	13,933
	1,918,707,523	1,176,661,317
	₱2,303,270,822	₱1,559,037,180

* Others under financial assets comprise petty cash fund, shortages, and other investments
** Others under non-financial assets comprise inter-office float items, sundry debits, deferred charges, postages stamps

Liquidity requirement for electronic money products represents the amount set up to be held in trust for the specific purpose of liquidation of balances of electronic money (e-money) products of the Bank in compliance with BSP Circular No. 1166, *Amendments to the Regulations on Electronic Money (e-money) and the Operations of Electronic Money Issuers (EMI) in the Philippines* which was released by BSP on February 7, 2023. The BSP requires BSP-supervised financial institutions (BSFIs) to have sufficient liquid assets to always meet e-money redemptions by its customers. Such amount held in the trust account shall not fall below the required minimum balance of at least 50% of the outstanding e-money balances.

Prepayments represent prepaid insurance, rent, taxes, and other prepaid expenses.

Creditable withholding tax (CWT) pertains to the excess credits after applying CWT against income tax payable.

Movements in chattel mortgage properties - net follow:

	2025	2024
Cost		
Balance at beginning of year	**₱929,114,203**	₱736,797,092
Additions (Note 32)	**5,206,376,190**	3,922,282,431
Disposals	**(4,773,438,012)**	(3,729,965,320)
Balance at the end of year	**1,362,052,381**	929,114,203
Accumulated Depreciation		
Balance at beginning of year	**73,609,508**	68,762,517
Depreciation (Note 11)	**259,984,753**	177,285,886
Disposals	**(232,972,267)**	(172,438,895)
Balance at the end of year	**100,621,994**	73,609,508

(Forward)

	2025	2024
Allowance for Impairment Losses		
Balance at beginning of year	**₱100,396**	₱142,544
Provisions (Note 15)	**6,912,105**	606,596
Disposals	**(4,330,832)**	(648,744)
Balance at end of year	**2,681,669**	100,396
Net Book Value	**₱1,258,748,718**	₱855,404,299

Gain on foreclosure of chattel mortgage properties amounted to ₱208.8 million, ₱523.5 million and ₱491.9 million in 2025, 2024 and 2023, respectively.

Gain (loss) on sale of chattel mortgage properties amounted to (₱593.3) million, (₱313.3) million and ₱128.0 million in 2025, 2024 and 2023, respectively.

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances for loans and advances to banks as of December 31, 2025 and 2024 follows (in thousands):

	2025						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Due from BSP	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Balance as of January 1, 2025	–	–	–	–	–	–	–
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	–	–	–	–	–	–	–
Balance at December 31, 2025	–	–	–	–	–	–	–
Due from other banks							
Balance at January 1, 2025	**1,479**	–	–	–	–	–	**1,479**
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	**(2,210)**	–	–	–	–	–	**(2,210)**
Balance at December 31, 2025	**(731)**	–	–	–	–	–	**(731)**
Total loans and advances to banks							
Balance at January 1, 2025	**1,479**	–	–	–	–	–	**1,479**
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	**(2,210)**	–	–	–	–	–	**(2,210)**
Balance at December 31, 2025	**(₱731)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱731)**

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Due from BSP							
Balance as of January 1, 2024	₱–	₱–	₱–	₱–	₱–	₱–	₱–
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	–	–	–	–	–	–	–
Balance at December 31, 2024	–	–	–	–	–	–	–
Due from other banks							
Balance at January 1, 2024	1,209	–	–	–	–	–	1,209
New assets originated or purchased	269	–	–	–	–	–	269
Assets derecognized or repaid	–	–	–	–	–	–	–
Balance at December 31, 2024	1,478	–	–	–	–	–	1,478
Total loans and advances to banks							
Balance at January 1, 2024	1,209	–	–	–	–	–	1,209
New assets originated or purchased	269	–	–	–	–	–	269
Assets derecognized or repaid	–	–	–	–	–	–	–
Balance at December 31, 2024	₱1,478	₱–	₱–	₱–	₱–	₱–	₱1,478

NOTES TO FINANCIAL STATEMENTS

An analysis of changes in the ECL allowances for investment securities as of December 31, 2025 and 2024 follows (in thousands):

	2025						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Financial assets at FVOCI							
Balance at January 1, 2025	**₱671**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱671**
New assets originated or purchased	**195**	**–**	**–**	**–**	**–**	**–**	**195**
Assets derecognized or repaid	**–**	**–**	**–**	**–**	**–**	**–**	
Balance at December 31, 2025	**866**	**–**	**–**	**–**	**–**	**–**	**866**
Investment at amortized cost							
Balance at January 1, 2025	**11,238**	**–**	**–**	**–**	**–**	**–**	**11,238**
New assets originated or purchased	**–**	**–**	**–**	**–**	**–**	**–**	
Assets derecognized or repaid	**(4,510)**	**–**	**–**	**–**	**–**	**–**	**(4,510)**
Balance at December 31, 2025	**6,728**	**–**	**–**	**–**	**–**	**–**	**6,728**
Total investment securities							
Balance at January 1, 2025	**11,909**	**–**	**–**	**–**	**–**	**–**	**11,909**
New assets originated or purchased	**195**	**–**	**–**	**–**	**–**	**–**	**195**
Assets derecognized or repaid	**(4,510)**	**–**	**–**	**–**	**–**	**–**	**(4,510)**
Balance at December 31, 2025	**₱7,594**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,594**

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Financial assets at FVOCI							
Balance at January 1, 2024	₱746	₱–	₱–	₱–	₱–	₱–	₱746
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(75)	–	–	–	–	–	(75)
Balance at December 31, 2024	671	–	–	–	–	–	671
Investment at amortized cost							
Balance at January 1, 2024	13,886	–	–	–	–	–	13,886
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(2,648)	–	–	–	–	–	(2,648)
Balance at December 31, 2024	11,238	–	–	–	–	–	11,238
Total investment securities							
Balance at January 1, 2024	14,632	–	–	–	–	–	14,632
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(2,723)	–	–	–	–	–	(2,723)
Balance at December 31, 2024	₱11,909	₱–	₱–	₱–	₱–	₱–	₱11,909

An analysis of changes in the ECL allowances for receivables from customers as of December 31, 2025 and 2024 follows (in thousands):

	2025						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Consumption Loans							
Balance at January 1, 2025	**₱–**	**₱917,021**	**₱–**	**₱759,468**	**₱815,238**	**₱–**	**₱2,491,727**
New assets originated or purchased	–	**445,738**	–	**77,830**	**313,027**	–	**836,595**
Assets derecognized or repaid	–	**(68,432)**	–	**(212,481)**	**(107,188)**	–	**(388,101)**
Amounts written off	–	–	–	–	**(542,677)**	–	**(542,677)**
Transfers to Stage 1	–	**209,015**	–	**(183,893)**	**(25,122)**	–	–
Transfers to Stage 2	–	**(112,778)**	–	**140,814**	**(28,036)**	–	–
Transfers to Stage 3	–	**(35,121)**	–	**(122,742)**	**157,863**	–	–
Impact on change in assumptions	–	**(638,428)**	–	**309,295**	**897,813**	–	**568,680**
Balance at December 31, 2025	–	**717,015**	–	**768,291**	**1,480,918**	–	**2,966,224**
Real Estate Loans							
Balance at January 1, 2025	–	**81,582**	–	**170,469**	**171,307**	–	**423,358**
New assets originated or purchased	–	**15,013**	–	**1,272**	**10,754**	–	**27,039**
Assets derecognized or repaid	–	**(3,872)**	–	**(14,049)**	**(38,627)**	–	**(56,548)**
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	**51,702**	–	**(43,446)**	**(8,256)**	–	–
Transfers to Stage 2	–	**(7,294)**	–	**20,023**	**(12,729)**	–	–
Transfers to Stage 3	–	**(1,351)**	–	**(16,612)**	**17,963**	–	–
Impact on change in assumptions	–	**(65,590)**	–	**(48,051)**	**(30,919)**	–	**(144,560)**
Balance at December 31, 2025	–	**70,190**	–	**69,606**	**109,493**	–	**249,289**

(Forward)

	2025						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Commercial Loans							
Balance at January 1, 2025	**₱–**	**₱32,386**	**₱–**	**₱16,307**	**₱185,196**	**₱–**	**₱233,889**
New assets originated or purchased	–	**15,987**	–	**1,711**	**380**	–	**18,078**
Assets derecognized or repaid	–	**(5,603)**	–	**(2,161)**	**(12,860)**	–	**(20,624)**
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	**468**	–	**(468)**	–	–	–
Transfers to Stage 2	–	**(143)**	–	**143**	–	–	–
Transfers to Stage 3	–	**(42)**	–	**(419)**	**461**	–	–
Impact on change in assumptions	–	**(2,383)**	–	**4,353**	**1,178**	–	**3,148**
Balance at December 31, 2025	–	**40,670**	–	**19,466**	**174,355**	–	**234,491**
Personal Loans							
Balance at January 1, 2025	–	**47,644**	–	**72,263**	**143,525**	–	**263,432**
New assets originated or purchased	–	**21,595**	–	**12,290**	**17,686**	–	**51,571**
Assets derecognized or repaid	–	**(14,729)**	–	**(18,292)**	**(237)**	–	**(33,258)**
Amounts written off	–	–	–	–	**(67,112)**	–	**(67,112)**
Transfers to Stage 1	–	**2,221**	–	**(2,204)**	**(17)**	–	–
Transfers to Stage 2	–	**(22,042)**	–	**22,364**	**(322)**	–	–
Transfers to Stage 3	–	**(5,605)**	–	**(9,658)**	**15,263**	–	–
Impact on change in assumptions	–	**(5,540)**	–	**(22,362)**	**50,839**	–	**22,937**
Balance at December 31, 2025	–	**23,544**	–	**54,401**	**159,625**	–	**237,570**
Total Receivables from Customers							
Balance at January 1, 2025	–	**1,078,633**	–	**1,018,507**	**1,315,266**	–	**3,412,406**
New assets originated or purchased	–	**498,333**	–	**93,103**	**341,847**	–	**933,283**
Assets derecognized or repaid	–	**(92,636)**	–	**(246,983)**	**(158,912)**	–	**(498,531)**
Amounts written off	–	–	–	–	**(609,789)**	–	**(609,789)**
Transfers to Stage 1	–	**263,406**	–	**(230,011)**	**(33,395)**	–	–
Transfers to Stage 2	–	**(142,257)**	–	**183,344**	**(41,087)**	–	–
Transfers to Stage 3	–	**(42,119)**	–	**(149,431)**	**191,550**	–	–
Impact on change in assumptions	–	**(711,941)**	–	**243,235**	**918,911**	–	**450,205**
Balance at December 31, 2025	**₱–**	**₱851,419**	**₱–**	**₱911,764**	**₱1,924,391**	**₱–**	**₱3,687,574**

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans							
Balance at January 1, 2024	₱–	₱2,017,898	₱–	₱609,879	₱1,289,692	₱–	₱3,917,469
New assets originated or purchased	–	548,317	–	131,756	218,429	–	898,502
Assets derecognized or repaid	–	(168,720)	–	(134,311)	(165,630)	–	(468,661)
Amounts written off	–	–	–	(113,217)	(973,602)	–	(1,086,819)
Transfers to Stage 1	–	116,573	–	(95,879)	(20,694)	–	–
Transfers to Stage 2	–	(220,163)	–	248,315	(28,152)	–	–
Transfers to Stage 3	–	(53,564)	–	(67,668)	121,232	–	–
Impact on change in assumptions	–	(1,323,320)	–	180,593	373,963	–	(768,764)
Balance at December 31, 2024	–	917,021	–	759,468	815,238	–	2,491,727
Real Estate Loans							
Balance at January 1, 2024	–	194,310	–	573,099	195,520	–	962,929
New assets originated or purchased	–	41,333	–	2,697	4,274	–	48,304
Assets derecognized or repaid	–	(8,314)	–	(46,662)	(31,703)	–	(86,679)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	332,614	–	(324,461)	(8,153)	–	–
Transfers to Stage 2	–	(8,648)	–	39,612	(30,964)	–	–
Transfers to Stage 3	–	(1,090)	–	(17,764)	18,854	–	–
Impact on change in assumptions	–	(468,623)	–	(56,052)	23,479	–	(501,196)
Balance at December 31, 2024	–	81,582	–	170,469	171,307	–	423,358
Commercial Loans							
Balance at January 1, 2024	–	28,414	–	14,923	184,839	–	228,176
New assets originated or purchased	–	5,404	–	1,106	–	–	6,510
Assets derecognized or repaid	–	(10,434)	–	(512)	(6,638)	–	(17,584)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	2,001	–	(574)	(1,427)	–	–
Transfers to Stage 2	–	(131)	–	418	(287)	–	–
Transfers to Stage 3	–	(17)	–	(214)	231	–	–
Impact on change in assumptions	–	7,149	–	1,160	8,478	–	16,787
Balance at December 31, 2024	–	32,386	–	16,307	185,196	–	233,889

(Forward)

NOTES TO FINANCIAL STATEMENTS

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Personal Loans							
Balance at January 1, 2024	₱–	₱70,708	₱–	₱217,699	₱184,753	₱–	₱473,160
New assets originated or purchased	–	44,926	–	19,128	10,805	–	74,859
Assets derecognized or repaid	–	(19,358)	–	(2,798)	(19,483)	–	(41,639)
Amounts written off	–	–	–	(33,359)	(80,360)	–	(113,719)
Transfers to Stage 1	–	18,435	–	(18,398)	(37)	–	–
Transfers to Stage 2	–	(41,423)	–	41,500	(77)	–	–
Transfers to Stage 3	–	(1,638)	–	(14,261)	15,899	–	–
Impact on change in assumptions	–	(24,006)	–	(137,248)	32,025	–	(129,229)
Balance at December 31, 2024	–	47,644	–	72,263	143,525	–	263,432
Total Receivables from Customers							
Balance at January 1, 2024	–	2,311,330	–	1,415,600	1,854,804	–	5,581,734
New assets originated or purchased	–	639,980	–	154,687	233,508	–	1,028,175
Assets derecognized or repaid	–	(206,826)	–	(184,283)	(223,454)	–	(614,563)
Amounts written off	–	–	–	(146,576)	(1,053,962)	–	(1,200,538)
Transfers to Stage 1	–	469,623	–	(439,312)	(30,311)	–	–
Transfers to Stage 2	–	(270,365)	–	329,845	(59,480)	–	–
Transfers to Stage 3	–	(56,309)	–	(99,907)	156,216	–	–
Impact on change in assumptions	–	(1,808,800)	–	(11,547)	437,945	–	(1,382,402)
Balance at December 31, 2024	₱–	₱1,078,633	₱–	₱1,018,507	₱1,315,266	₱–	₱3,412,406

An analysis of changes in the ECL allowances for other receivables as of December 31, 2025 and 2024 follows (in thousands):

	2025						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Accrued Interest Receivable							
Balance as of January 1, 2025	₱–	**₱9,554**	₱–	**₱12,744**	**₱25,423**	₱–	**₱47,721**
New assets originated or purchased	–	**4,254**	–	**1,502**	**9,903**	–	**15,659**
Assets derecognized or repaid	–	**(939)**	–	**(3,613)**	**(19,305)**	–	**(23,857)**
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	**2,565**	–	**(2,329)**	**(236)**	–	–
Transfers to Stage 2	–	**(1,599)**	–	**1,871**	**(272)**	–	–
Transfers to Stage 3	–	**(520)**	–	**(2,139)**	**2,659**	–	–
Impact on change in assumptions	–	**(6,028)**	–	**6,503**	**31,720**	–	**32,195**
Balance at December 3, 2025	–	**7,287**	–	**14,539**	**49,892**	–	**71,718**
Sales Contract Receivable							
Balance as of January 1, 2025	–	–	–	–	**364**	–	**364**
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	–	–	–	–	**(34)**	–	**(34)**
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	–	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–	–	–
Impact on change in assumptions	–	–	–	–	**(183)**	–	**(183)**
Balance at December 31, 2025	–	–	–	–	**147**	–	**147**
Total Other Receivables							
Balance as of January 1, 2025	–	**₱9,554**	–	**12,744**	**25,787**	–	**48,085**
New assets originated or purchased	–	**4,254**	–	**1,502**	**9,903**	–	**15,659**
Assets derecognized or repaid	–	**(939)**	–	**(3,613)**	**(19,339)**	–	**(23,891)**
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	**2,565**	–	**(2,329)**	**(236)**	–	–
Transfers to Stage 2	–	**(1,599)**	–	**1,871**	**(272)**	–	–
Transfers to Stage 3	–	**(520)**	–	**(2,139)**	**2,659**	–	–
Impact on change in assumptions	–	**(6,028)**	–	**6,503**	**31,537**	–	**32,012**
Balance at December 31, 2025	₱–	**₱7,287**	₱–	**₱14,539**	**₱50,039**	₱–	**₱71,865**

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable							
Balance as of January 1, 2024	₱–	₱19,026	₱–	₱15,088	₱38,113	₱–	₱72,227
New assets originated or purchased	–	5,652	–	1,666	6,928	–	14,246
Assets derecognized or repaid	–	(2,052)	–	(4,398)	(32,563)	–	(39,013)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	2,559	–	(2,297)	(262)	–	–
Transfers to Stage 2	–	(2,785)	–	3,185	(400)	–	–
Transfers to Stage 3	–	(584)	–	(1,433)	2,017	–	–
Impact on change in assumptions	–	(12,262)	–	933	11,590	–	261
Balance at December 31, 2024	–	9,554	–	12,744	25,423	–	47,721

(Forward)

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Sales Contract Receivable							
Balance as of January 1, 2024	₱–	₱6	₱–	₱20	₱546	₱–	₱572
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	–	(6)	–	(6)	(176)	–	(188)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	14	–	(14)	–	–	–
Transfers to Stage 2	–	–	–	–	–	–	–
Transfers to Stage 3	–	(14)	–	–	(6)	–	(20)
Impact on change in assumptions	–	–	–	–	–	–	–
Balance at December 31, 2024	–	–	–	–	364	–	364
Total Other Receivables							
Balance as of January 1, 2024	–	19,032	–	15,108	38,659	–	72,799
New assets originated or purchased	–	5,652	–	1,666	6,928	–	14,246
Assets derecognized or repaid	–	(2,058)	–	(4,404)	(32,739)	–	(39,201)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	2,573	–	(2,311)	(262)	–	–
Transfers to Stage 2	–	(2,785)	–	3,185	(400)	–	–
Transfers to Stage 3	–	(598)	–	(1,433)	2,011	–	(20)
Impact on change in assumptions	–	(12,262)	–	933	11,590	–	261
Balance at December 31, 2024	₱–	₱9,554	₱–	₱12,744	₱25,787	₱–	₱48,085

The ECL allowance on accounts receivables of the Bank based on their aging as of December 31, 2025 and 2024 follows:

Age of accounts receivables	2025	2024
Up to 1 month	**₱17,818,590**	₱23,990,829
> 1 to 2 months	**1,792,032**	1,105,543
> 2 to 3 months	**1,555,267**	1,259,561
More than 3 months	**482,344,401**	492,031,135
	₱503,690,290	₱518,387,068

As of December 31, 2025 and 2024, the Bank’s undrawn portion of committed credit lines amounted to ₱4.4 billion and ₱4.2 billion, respectively. As of December 31, 2025 and 2024, provision on undrawn portion of committed credit lines amounted to ₱29.6 million and ₱38.9 million, respectively (Note 19).

The details of provisions (reversals) under the statements of income follow:

	2025	2024	2023
Loans and receivables (Note 9)	**₱2,353,261,941**	₱199,726,806	₱1,456,586,418
Investment properties (Note 12)	**8,689,683**	16,559,553	12,184,936
Chattel mortgage (Note 14)	**6,912,105**	606,596	674,171
Due from other banks	**(748,139)**	269,350	(13,461,465)
Investment securities	**(4,315,622)**	(2,723,268)	(4,894,264)
	₱2,363,799,968	₱214,439,037	₱1,451,089,796

Model optimizations implemented in recent years have resulted in a more risk responsive ECL framework. The refined models produce more appropriate provisioning across exposures based on observed risk profiles, while also being more sensitive to shifts in portfolio conditions. In 2025, as risk indicators in the Auto Loans portfolio increased, the updated ECL models reflected the higher risk through increased expected loss estimates, resulting in higher provision levels aligned with the portfolio’s updated risk profile and loss expectations.

NOTES TO FINANCIAL STATEMENTS

16. Deposit Liabilities

Interest expense on deposit liabilities consists of:

	2025	2024	2023
Time (Note 29)	**₱3,989,317,182**	₱4,367,299,538	₱5,307,552,802
Demand (Note 29)	**50,078,921**	50,131,705	50,405,931
Savings	**45,785,562**	44,979,521	44,377,682
LTNCD	**–**	12,715,457	260,840,070
	₱4,085,181,665	₱4,475,126,221	₱5,663,176,485

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 5.50% in 2025, from 0.10% to 6.28% in 2024 and from 0.10% to 6.25% in 2023, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.05% to 4.30% in 2025, 0.05% to 4.95% in 2024 and from 0.05% to 6.25% in 2023. Effective interest rates on deposit liabilities range from 0.05% to 4.67% in 2025, from 0.10% to 5.15% in 2024, and from 0.10% to 5.30% in 2023.

In 2024, the BSP issued BSP Circular No. 1201 reducing the reserve requirements against deposits to 1.00% from 2.00% for thrift banks. The required reserves can be kept in the form of deposit maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature. In March 2025, the BSP issued Circular No. 1211 reducing the reserve requirements against deposits to 0% for thrift banks.

Further, BSP Circular No. 1100 issued in 2020 and amended by BSP Circular No. 1155 issued in 2022 allowing banks to use peso denominated loans that are granted after March 15, 2020 to (1) micro-small-and-medium-enterprises (MSMEs) and (2) large enterprise excluding banks and non-bank financial institutions with quasi-banking functions that met the definition of MSMEs/large enterprise as alternative compliances with the reserve requirements. The use of MSMEs loans/loans to large enterprises as allowable alternative compliance with reserve requirements was available until June 30, 2023 only. In the case of TBs, RBs, and Coop banks, the outstanding MSME loans of these banks that are utilized as alternative compliance with the reserve requirement as of June 30, 2023 shall remain eligible for such purpose until said loans are fully paid but not later than December 31, 2025. As of December 31, 2025 and 2024, due from BSP amounting to ₱0.4 billion and ₱1.2 billion, respectively, and MSME loans amounting to ₱0.3 billion and ₱0.5 billion, respectively, were set aside as reserves for deposit liabilities. As reported to the BSP, the Bank is in compliance with such regulations as of December 31, 2025 and 2024.

On July 13, 2018, the BSP authorized the Bank to issue LTNCDs up to ₱15.0 billion through one or multiple tranches over a period of one year. On August 9, 2018, the Bank issued the first tranche of LTNCDs amounting to ₱5.1 billion with a tenor of five (5) years and six (6) months and due on February 9, 2024.

As of December 31, 2025 and 2024, deferred financing cost on LTNCDs amounted to nil. Amortization of deferred financing cost amounted to nil and ₱0.3 million in 2025 and 2024, respectively.

17. Bills Payable and Bonds Payable

Bills Payable
As of December 31, 2025 and 2024, bills payable amounted to nil.

Annual interest rate on dollar-denominated securities under resale agreement (SSURA) ranges from 4.40% to 4.63%, 5.09% to 5.91%, 4.79% to 5.91%, in 2025, 2024 and 2023, respectively.

Interest expense on bills payable in 2025, 2024, and 2023 amounted to ₱30.2 million, ₱20.3 million, and ₱35.3 million, respectively (Note 29).

Bonds Payable
On August 18, 2025, the Bank issued fixed rate bonds amounting to ₱5.0 billion with tenor of two (2) years and interest rate of 5.875% per annum, payable quarterly, and due on August 18, 2027. The minimum investment size for the bonds payable is ₱0.1 million with increments of ₱0.1 thousand thereafter. As of December 31, 2025, the carrying amount of the bonds payable is ₱4.96 billion. Debt issuance cost related to the issuance amounted to ₱47.0 million.

Interest expense incurred on bonds payable amounted to ₱116.6 million in 2025, nil in 2024 and ₱20.7 million in 2023. Amortization of debt issuance costs amounted to ₱8.1 million in 2025, nil in 2024 and ₱1.6 million in 2023.

18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2025	2024
Accrued interest payable	**₱320,331,164**	₱321,208,714
Accrued other taxes and licenses payable	**416,414,740**	320,636,725
Accrued other expenses payable (Note 29)	**1,582,136,700**	1,604,600,834
	₱2,318,882,604	₱2,246,446,273

Accrued other expenses payable consists of:

	2025	2024
Compensation and fringe benefits	**₱870,045,740**	₱741,950,774
Litigation	**268,839,017**	357,433,281
Insurance (Note 29)	**175,421,048**	166,683,439
Information technology (Note 29)	**137,530,396**	130,879,980
Security, messengerial and janitorial	**69,239,458**	36,204,686
ATM maintenance	**26,440,150**	20,400,132
Donations	**14,652,956**	14,517,956
Advertising	**6,084,569**	10,510,397
Miscellaneous	**13,883,366**	126,020,189
	₱1,582,136,700	₱1,604,600,834

NOTES TO FINANCIAL STATEMENTS

Compensation and fringe benefits include bonuses, as well as medical, dental and hospitalization benefits.

Miscellaneous include accruals for utilities, repairs and maintenance, rental for ATM offsites, membership fees & dues and other expenses.

19. Other Liabilities

This account consists of:

	2025	2024
Financial liabilities		
Accounts payable (Note 29)	**₱1,461,989,916**	₱2,071,731,704
Lease liabilities (Note 25)	**1,145,649,615**	1,190,529,789
Other credits	**230,901,514**	221,609,042
Overages	**5,629,700**	4,895,091
Deposit for keys – SDB	**724,395**	734,395
Bills purchased – contra (Note 9)	**247,234**	–
	2,845,142,374	3,489,500,021
Non-financial liabilities		
Sundry credits	**105,059,730**	91,964,895
Due to the Treasurer of the Philippines	**98,252,645**	89,391,301
Withholding taxes payable	**95,131,032**	40,721,456
Provision on undrawn portion of committed credit lines (Note 15)	**29,565,554**	38,893,036
SSS, Medicare, ECP and HDMF premium payable	**24,913,150**	22,387,898
Miscellaneous (Note 29)	**66,938,046**	63,072,130
	419,860,157	346,430,716
Total	**₱3,265,002,531**	₱3,835,930,737

Accounts payable includes payable to suppliers and service providers, and loan payments and other charges received from customers in advance.

Other credits represent long-outstanding unclaimed cashier's checks.

Sundry credits represent various items or transactions which cannot be classified immediately under any credit account and subsequently classified to proper accounts the following month.

20. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of condition dates (in thousands):

	December 31					
	2025			2024		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	**₱1,686,770**	**₱–**	**₱1,686,770**	₱1,781,441	₱–	₱1,781,441
Due from BSP - gross	**400,670**	**–**	**400,670**	1,183,357	–	1,183,357
Due from other banks - gross	**1,538,748**	**–**	**1,538,748**	1,816,578	–	1,816,578
Interbank call loans receivable and SPURA - gross (Note 7)	**5,602,790**	**–**	**5,602,790**	400,000	–	400,000
FVTPL investments (Note 8)	**40**	**–**	**40**	300,599	–	300,599
Financial assets at FVOCI (Note 8)	**408,256**	**32,710,425**	**33,118,681**	8,732,721	17,159,470	25,892,191
Investment securities at amortized cost – gross (Note 8)	**1,498,577**	**27,110,541**	**28,609,118**	3,383,179	26,724,380	30,107,559
Loans and receivables - gross (Note 9)	**11,972,499**	**147,038,275**	**159,010,774**	12,844,071	135,033,176	147,877,247
Other assets* (Note 14)	**196,061**	**188,504**	**384,565**	192,173	190,203	382,376
	23,304,411	**207,047,745**	**230,352,156**	30,634,119	179,107,229	209,741,348
Nonfinancial Assets						
Investment in a joint venture (Note 10)	**–**	**904,205**	**904,205**	–	892,037	892,037
Property and equipment - gross (Note 11)	**–**	**9,024,107**	**9,024,107**	–	8,905,955	8,905,955
Investment properties - gross (Note 12)	**–**	**4,219,612**	**4,219,612**	–	4,331,236	4,331,236
Deferred tax assets (Note 27)	**–**	**1,432,778**	**1,432,778**	–	1,318,508	1,318,508
Intangible assets and goodwill – gross	**–**	**578,903**	**578,903**	–	572,147	572,147
Other assets - gross** (Note 14)	**1,473,907**	**548,104**	**2,022,011**	257,734	992,637	1,250,371
	1,473,907	**16,707,709**	**18,181,616**	257,734	17,012,520	17,270,254
Less: Allowance for credit and impairment losses (Note 15)			**4,442,158**			4,176,085
Accumulated depreciation and amortization (Notes 11, 12, 13 and 14)			**6,731,552**			6,403,829
Unearned discounts and capitalized interest (Note 9)			**59,696**			74,916
			11,233,406			10,654,830
			₱237,300,366			₱216,356,772

* Other assets under financial assets comprise security deposits, liquidity requirement for electronic money products, RCOCI, petty cash fund, shortages and other investments

** Other assets under nonfinancial assets comprise chattel mortgage properties, net retirement assets, prepayments, documentary stamps on hand, stationeries and supplies on hand, creditable withholding tax, inter-office float items, sundry debits, deferred charges, postages stamps.

	December 31					
	2025			2024		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities (Note 16)	**₱162,672,584**	**₱17,166,392**	**₱179,838,976**	₱146,990,994	₱17,562,035	₱164,553,029
Bonds payable (Note 17)	**–**	**4,961,054**	**4,961,054**	–	–	–
Treasurer's, cashier's and manager's checks	**815,692**	**–**	**815,692**	1,615,438	–	1,615,438
Accrued other expenses payable (Note 18)	**1,582,137**	**–**	**1,582,137**	1,604,601		1,604,601
Accrued interest payable (Note 18)	**320,331**	**–**	**320,331**	321,209	–	321,209
Other liabilities* (Note 19)	**2,131,403**	**713,739**	**2,845,142**	2,707,917	781,583	3,489,500
	167,522,147	**22,841,185**	**190,363,332**	153,240,159	18,343,618	171,583,777
Nonfinancial Liabilities						
Accrued other taxes and licenses payable (Note 18)	**416,415**	**–**	**416,415**	320,637	–	320,637
Other liabilities** (Note 19)	**217,412**	**203,313**	**420,725**	213,744	132,687	346,431
	633,827	**203,313**	**837,140**	534,381	132,687	667,068
	₱168,155,974	**₱23,044,498**	**₱191,200,472**	₱153,774,540	₱18,476,305	₱172,250,845

* Other liabilities under financial liabilities comprise accounts payable, lease liabilities, bills purchased contra, other credits, overages, and deposit for safety deposit box.

** Other liabilities under nonfinancial liabilities comprise provision on undrawn portion of committed credit lines, withholding taxes payable, sundry credits, due to the treasurer of the Philippines, SSS, Medicare, ECP & HDMF premium payable, and miscellaneous liabilities.

21. Equity

Issued Capital

As of December 31, 2025 and 2024, the Bank's capital stock consists of:

	2025		2024	
	Shares	**Amount**	Shares	Amount
Authorized common stock - ₱10.0 par value	**600,000,000**	**₱6,000,000,000**	600,000,000	₱6,000,000,000
Issued and outstanding				
Beginning balance	**426,859,416**	**4,268,594,160**	426,859,416	4,268,594,160
Ending balance	**426,859,416**	**₱4,268,594,160**	426,859,416	₱4,268,594,160

NOTES TO FINANCIAL STATEMENTS

The Bank became listed in the Philippine Stock Exchange (PSE) on October 10, 1994. Subsequently, the SEC approved the increase in the capital stock of the Bank. The summarized information on the Bank's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type	Authorized Shares	Par Value
August 16, 1995	Common	300,000,000	₱10
October 8, 1997	Common	425,000,000	10

As of December 31, 2025 and 2024, the total number of stockholders is 1,421 and 1,432 with share price closed at ₱54.00 and ₱58.20, respectively.

Dividends Paid and Proposed

Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

	Cash Dividends			
Date of declaration	**Per share**	**Total amount**	**Record date**	**Payment date**
January 26, 2023	₱0.75	₱320,144,562	February 10, 2023	February 27, 2023
April 27, 2023	0.75	320,144,562	May 15, 2023	May 29, 2023
July 20, 2023	0.75	320,144,562	August 4, 2023	August 22, 2023
October 19, 2023	0.75	320,144,562	November 8, 2023	November 20, 2023
January 18, 2024	0.75	320,144,562	February 2, 2024	February 19, 2024
April 25, 2024	0.75	320,144,562	May 13, 2024	May 27, 2024
July 25, 2024	0.75	320,144,562	August 9, 2024	August 27, 2024
October 17, 2024	0.75	320,144,562	November 4, 2024	November 18, 2024
January 16, 2025	0.75	320,144,562	February 3, 2025	February 17, 2025
April 24, 2025	0.75	320,144,562	May 13, 2025	May 26, 2025
July 24, 2025	0.75	320,144,562	August 8, 2025	August 26, 2025
October 23, 2025	0.75	320,144,562	November 10, 2025	November 24, 2025

	Stock Dividends			
Date of declaration	**Per share**	**Total amount**	**Record date**	**Payment date**
March 12, 2019	11.42%	₱–	January 31, 2020	February 21, 2020

On October 9, 2015, the BSP issued Circular No. 888, Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments, which liberalized said rules in the sense that prior BSP verification and approval is no longer required except for banks with major supervisory concerns. However, banks are bound to comply with the provisions of Section X136 of the Manual of Regulations for Banks (MORB) and its subsections, including the submission of documentary requirements under Subsection X136.4 of the MORB. Otherwise, banks, subsequently found to have violated the provisions on dividend declaration or have falsely certified/submitted misleading statements shall be reverted to the prior BSP verification wherein the bank can only make an announcement or communication on the declaration of the dividends or payment of dividends thereon upon receipt of BSP advice thereof. The Bank is compliant with the said circular.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

In compliance with BSP regulations, 10.00% of the Bank's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Bank's authorized capital stock.

A portion of the surplus corresponding to the accumulated net earnings of a joint venture is not available for dividend declaration until receipt of cash dividends from the investee.

Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements, as mandated by the BSP, and that the Bank maintains healthy capital ratios in order to support its business and maximize returns for its shareholders. The Bank considers its paid in capital and surplus as its capital.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders or issue capital securities. The major activities in this area include the following:

- The Bank issued additional common shares for its qualified stockholders in 2008 and 2006 through stock rights offerings that raised ₱2.0 billion and ₱750.0 million in capital, respectively.

- On October 21, 2016, the BOD approved the Bank's updated Dividend Policy which provides, among others, the declaration and payment of cash dividends at a rate of ₱0.75 per share on a quarterly basis unless approved by a majority vote of the BOD at a different rate or otherwise restricted/prohibited from declaring/paying dividends.

Regulatory Qualifying Capital

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

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Risk-weighted assets consist of total assets less 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 of the BSP.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements which states 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. The Circular took effect on January 1, 2014.

On March 29, 2022, the BSP issued Circular No. 1142, Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio, which provides amended guidelines on the computation of the minimum required capital and the risk-based capital adequacy ratio.

NOTES TO FINANCIAL STATEMENTS

The Bank considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

The CAR of the Bank as of December 31, as reported to the BSP, based on BSP Circular No. 781 and BSP Circular No. 538, respectively, are shown in the table below (amounts in millions).

	2025	2024
Tier 1 capital	**₱43,910**	₱41,887
CET1 capital	**43,910**	41,887
Less: Required deductions	**3,458**	3,412
Total Tier 1 Capital	**40,452**	38,475
Total Tier 2 capital	**1,748**	1,767
Total qualifying capital	**42,200**	40,242
Risk weighted assets	**₱173,305**	₱170,838
Tier 1 ratio	**23.34%**	22.52%
CET1 ratio	**23.34%**	22.52%
Capital adequacy ratio	**24.35%**	23.56%

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on FVOCI securities, cumulative foreign currency translation and remeasurements of net defined benefit asset. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which is comprised of the Bank's general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred tax assets, goodwill, other intangible assets and significant minority investments in a joint venture.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

As of December 31, 2025 and 2024, the Bank has complied with the requirements of BSP Circular No. 781 and BSP Circular No. 538.

On October 29, 2014, the BSP issued Circular No. 856 which 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 shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019. On September 27, 2019, the BSP issued Circular No. 1051 which covers the enhancements in the assessment methodology of D-SIBs. The Bank has complied with this requirement.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the 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 directives. The Bank follows the Group's ICAAP framework and submits the result of its assessment to the Parent Company. Per BSP Circular No. 869, effective January 31, 2015, submission of an ICAAP document is required by BSP every March 31 of each year. The Bank has complied with this requirement.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

<u>BASEL III Leverage Ratio (BLR)</u>
On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.0 percent. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. Capital measure is the Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items. The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies).

As of December 31, 2025 and 2024, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	December 31, 2025	December 31, 2024
A. Capital Measure	**₱40,452**	₱38,475
B. Exposure Measure	**233,520**	212,648
C. Basel III Leverage Ratio (A/B)	**17.32%**	18.09%

<u>Liquidity Coverage Ratio (LCR)</u>
On March 10, 2016 and February 8, 2018, the BSP issued Circular Nos. 905 and 996, respectively, which include guidelines on LCR, and LCR disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets (HQLAs) to total net cash outflows. To promote the short-term resilience of the liquidity risk profile of the Bank, it shall maintain an adequate stock of unencumbered 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. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least thirty (30) calendar days, which would give time for corrective actions to be taken by the Bank's management and/or the BSP.

NOTES TO FINANCIAL STATEMENTS

On March 15, 2019, the BSP issued Circular No. 1035 which approved the: (1) extension of the observation period of the minimum Basel III LCR requirement to December 31, 2019 for subsidiary banks and quasi-banks (QBs) of universal and commercial banks (U/KBs), (2) adoption of a seventy percent (70.00%) LCR floor for subsidiary banks and QBs during the observation period, (3) minimum requirement of one hundred (100.00%) starting January 1, 2020. As of December 31, 2025 and 2024, the LCR in single currency as reported to the BSP, is 161.94% and 181.64%, respectively.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued Circular No. 1007, covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - NSFR. The NSFR limits overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on- and off-balance sheet accounts. The NSFR complements the LCR, which promotes short term resilience of the Bank's liquidity profile. The covered bank shall maintain an NSFR of at least 100.0 percent at all times. Compliance with this requirement was phased-in effective July 1, 2018, with full implementation of the minimum NSFR on January 1, 2019.

On March 15, 2019, the BSP issued Circular No. 1034 which approved the extension of the observation period for the Basel III Framework on Liquidity Standards - NSFR for subsidiary banks/quasi-banks.

The implementation of the minimum NSFR shall be phased in to help ensure that the covered banks/QBs can meet the standard through reasonable measures without disrupting credit extension and financial market activities. In order to facilitate compliance, covered banks/QBs shall undergo an observation period before the NSFR becomes a minimum requirement. Subsidiary banks/QBs of U/KBs shall be subject to an NSFR floor of seventy percent (70.00%) during the observation period. Starting January 1, 2020, the minimum NSFR for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs) shall be 100.00%. As of December 31, 2025 and 2024, the NSFR as reported to the BSP is at 123.48% and 125.98%, respectively.

Basel III Countercyclical Capital Buffer
On December 6, 2018, the BSP issued Circular No. 1024 covering the Philippine adoption of the Basel III Countercyclical Capital Buffer (CCyB) which imposed the following capital buffers:

- Capital Conservation buffer (CCB) of two and a half percent (2.50%); and
- Countercyclical capital buffer (CCyB) of zero percent (0.00%) subject to upward adjustment to a rate determined by the Monetary Board of the BSP when systemic conditions warrant but not to exceed two and a half percent (2.50%). Any increase in the CCyB rate shall be effective 12 months after its announcements. Decreases shall be effective immediately.

The prescribed ratios shall be maintained at all times.

22. Net Service Fees and Commission Income

This account consists of:

	2025	2024	2023
Service Fees and Commission Income			
Credit-related fees and commissions	**₱1,175,984,544**	₱1,306,628,705	₱1,140,696,592
Deposit-related and other fees received (Note 29)	**492,522,730**	548,708,615	605,852,203
Trust fees	**53,173,239**	50,098,509	46,194,120
	1,721,680,513	1,905,435,829	1,792,742,915
Service Fees and Commission Expense			
Commissions	**64,095,189**	83,856,797	59,629,263
Brokerage	**13,933,594**	6,000,297	5,954,675
	78,028,783	89,857,094	65,583,938
Net Service Fees and Commission Income	**₱1,643,651,730**	₱1,815,578,735	₱1,727,158,977

23. Miscellaneous Income

This account consists of:

	2025	2024	2023
Recovery of charged-off assets	**₱392,522,028**	₱295,591,196	₱311,361,694
Insurance commission income	**107,122,371**	72,774,013	85,545,555
Rental income (Notes 12, 25 and 29)	**64,311,818**	60,258,207	48,255,017
Others (Notes 9 and 29)	**105,663,141**	119,354,179	137,698,703
	₱669,619,358	₱547,977,595	₱582,860,969

Rental income arises from the lease of investment properties and safety deposit boxes of the Bank. Rent income on investment properties amounted to ₱63.3 million, ₱59.1 million, and ₱47.2 million in 2025, 2024 and 2023, respectively. Rent income on safety deposit boxes amounted to ₱1.0 million in 2025 and ₱1.1 million in 2024 and 2023.

Other miscellaneous income includes renewal fees, checkbook charges, break funding cost and other miscellaneous income. Accretion of modified loans amounted to ₱15.0 million, ₱40.1 million and ₱70.1 million in 2025, 2024 and 2023, respectively (Note 9).

NOTES TO FINANCIAL STATEMENTS

24. Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan covering substantially all of its employees. The benefits are based on years of service and final compensation.

The plan administered by the Retirement Committee is composed of five (5) members appointed by the BOD of the Bank. The Retirement Committee has all the powers necessary or useful in the discharge of its duties of administration including, but not limited to determining the rights of Members under the Plan. The Retirement Committee may adopt such rules and regulations as it deems necessary and desirable, including those governing the establishment of procedures, the use of necessary forms, and the setting up of minimum periods where notice is required. The Retirement Committee may seek advice of counsel, and may appoint an independent accountant to audit the Plan and actuary to value the plan periodically, whose professional fees and expenses may be charged to the Fund.

Under the existing regulatory framework, RA No. 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The date of the latest actuarial valuation is December 31, 2025.

The amounts of pension expense included in 'Compensation and fringe benefits' in the statements of income follow:

	2025	2024
Current service cost	**₱264,873,922**	₱267,677,595
Net interest cost (income)	**(15,445,992)**	4,486,598
	₱249,427,930	₱272,164,193

The net retirement liability/retirement asset shown under ‘Other liabilities’/‘Other assets’ recognized in the Bank’s statements of condition follows (in thousands):

	2025											
		Net benefit cost				Remeasurements in other comprehensive income						
	January 1, 2025	Current service cost	Net Interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2025
Present value of defined benefit obligation	₱3,936,447	₱264,874	₱230,116	₱494,990	(₱307,700)	₱–	₱77,711	₱–	(₱32,267)	₱45,444	₱–	₱4,169,181
Fair value of plan assets	(3,999,970)	–	(245,561)	(245,561)	307,700	1,234	–	–	–	1,234	(419,164)	(4,355,761)
Net retirement asset (Note 14)	(₱63,523)	₱264,874	(₱15,445)	₱249,429	₱–	₱1,234	₱77,711	₱–	(₱32,267)	₱46,678	(₱419,164)	(₱186,580)

	2024											
		Net benefit cost				Remeasurements in other comprehensive income						
	January 1, 2024	Current service cost	Net Interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2023
Present value of defined benefit obligation	₱3,851,397	₱267,678	₱222,572	₱490,250	(₱269,373)	₱–	₱31,359	₱–	(₱167,186)	(₱135,827)	₱–	₱3,936,447
Fair value of plan assets	(3,610,379)	–	(218,085)	(218,085)	269,373	14,946	–	–	–	14,946	(455,825)	(3,999,970)
Net retirement asset (Note 14)	₱241,018	₱267,678	₱4,487	₱272,165	₱–	₱ 14,946	₱31,359	₱–	(₱167,186)	(₱120,881)	(₱455,825)	(₱63,523)

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Bank expects to contribute ₱273.1 million to its noncontributory defined benefit plan in 2026.

NOTES TO FINANCIAL STATEMENTS

The fair values of plan assets by each class as at the statements of condition date are as follows:

	2025	2024
Investment in debt securities		
Government	**₱3,363,309,321**	₱2,690,915,727
Private	**598,065,058**	700,006,391
Special deposit account	**211,793,918**	446,377,610
Investment in equity securities	**105,907,392**	99,316,495
Unit Investment Trust Fund (UITF)	**41,824,362**	40,245,085
Other assets	**38,617,813**	26,555,952
	4,359,517,864	4,003,417,260
Other liabilities	**3,755,691**	3,447,387
	₱4,355,762,173	₱3,999,969,873

The person exercising voting right for the foregoing equity instruments is currently a senior officer of the Bank.

The principal actuarial assumptions used in determining retirement liability as of December 31, 2025 and 2024 are shown below:

	2025	2024
Discount rate	**6.24%**	6.12%
Turnover rate	**3.63%, 10.23%**	3.63%, 10.23%
Future salary increases	**5.50%**	5.50%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	December 31, 2025		December 31, 2024	
	Possible Fluctuations	**Increase (decrease)**	Possible Fluctuations	Increase (decrease)
Discount rate	**+1.00%**	**(₱266,819,926)**	+1.00%	(₱255,515,760)
	-1.00%	**299,099,468**	-1.00%	286,976,419
Turnover rate	**+1.00%**	**(25,885,886)**	+1.00%	(28,772,009)
	-1.00%	**28,727,462**	-1.00%	31,952,822
Future salary increase rate	**+1.00%**	**318,085,889**	+1.00%	304,782,425
	-1.00%	**(288,344,542)**	-1.00%	(275,809,790)

The Retirement Committee ensures that there will be sufficient assets to pay pension benefits as they fall due and maintains the plan on an actuarially sound basis considering the benefits to members.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2025	2024
Less than one year	**₱460,364,588**	₱352,484,510
One to less than five years	**1,827,206,340**	1,887,979,250
Five to less than 10 years	**2,743,923,655**	2,500,669,586
10 to less than 15 years	**3,248,114,671**	2,997,019,022
15 to less than 20 years	**1,945,037,331**	1,925,401,359
20 years and above	**1,722,195,821**	1,713,674,949

The average duration of the expected benefit payments at the statement of condition date is 8.65 years.

25. Leases

The Bank leases the premises occupied by its branches for periods ranging from 1 to 30 years renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%.

As of December 31, 2025 and 2024, the carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 19) are as follows:

	2025	2024
Balance at beginning of year	**₱1,190,529,789**	₱1,181,200,923
Additions	**424,872,914**	451,270,041
Accretion of interest	**77,483,169**	80,201,164
Payments	**(547,236,257)**	(522,142,339)
	₱1,145,649,615	₱1,190,529,789

The Bank recognized interest expense on lease liabilities (included in 'Interest expense' in the statements of income) amounting to ₱77.5 million, ₱80.2 million and ₱78.9 million in 2025, 2024 and 2023, respectively, rent expense from short-term leases and leases of low-value assets amounting (included in 'Occupancy and equipment-related costs' in the statements of income) to ₱118.8 million in 2025, ₱127.8 million in 2024 and ₱111.9 million in 2023.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2025	2024
Within one year	**₱518,021,560**	₱481,051,172
After one year but not more than five years	**778,900,632**	797,059,051
More than five years	**54,556,510**	77,561,045
	₱1,351,478,702	₱1,355,671,268

The Bank has also entered into commercial property leases on its surplus office space. These non-cancelable leases have remaining non-cancelable lease terms between 1 and 5 years. As of December 31, 2025 and 2024, there is no contingent rental income. Rental income of the Bank related to these property leases amounting to ₱62.9 million, ₱59.1 million, and ₱47.2 million in 2025, 2024 and 2023, respectively are shown under 'Miscellaneous income' in the statements of income (Notes 12 and 23).

Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2025	2024
Within one year	**₱56,802,720**	₱56,510,721
After one year but not more than five years	**65,529,815**	114,302,499
	₱122,332,535	₱170,813,220

NOTES TO FINANCIAL STATEMENTS

26. Miscellaneous Expenses

This account consists of:

	2025	2024	2023
Insurance (Note 29)	**₱505,501,245**	₱344,301,873	₱388,308,751
Information technology (Note 29)	**496,942,590**	479,504,386	424,653,503
Litigation	**298,534,461**	273,379,634	242,115,429
Communications	**117,322,283**	121,314,009	134,362,180
Repairs and maintenance (Note 12)	**93,947,226**	123,423,586	116,111,217
Advertising	**65,778,293**	52,213,710	52,841,936
Transportation and traveling	**56,030,048**	63,572,316	57,354,683
Stationery and supplies	**55,247,321**	49,749,544	41,097,311
Supervision and examination fees	**54,616,509**	50,165,101	73,281,388
Management and professional fees	**17,586,019**	18,174,426	25,393,062
Banking activities expenses	**13,237,891**	12,800,975	12,585,850
Training and seminars	**12,224,526**	19,465,802	14,607,368
Donations and charitable contributions	**10,475,000**	11,528,000	11,148,601
Fines, penalties and other charges	**5,818,887**	5,545,657	86,521,098
Membership fees and dues	**3,605,271**	4,373,086	2,937,377
Others	**16,024,477**	12,752,207	7,526,954
	₱1,822,892,047	₱1,642,264,312	₱1,690,846,708

Insurance expense includes premiums paid to the Philippine Deposit Insurance Corporation (PDIC) amounting to ₱345.8 million, ₱344.3 million, and ₱388.3 million in 2025, 2024 and 2023, respectively.

Other expenses include entertainment, amusement and recreation (EAR), rewards and incentives, meeting allowance, sponsorship expenses, home free loan expenses, appraisal fees and notarial fees. These also include payments to union members amounting to ₱10.5 million, ₱10.0 million and ₱9.5 million in 2025, 2024 and 2023, respectively, for the successful completion of the collective bargaining agreement.

27. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include corporate income tax, further discussed below, and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, RA No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% effective July 1, 2020. With the implementation of this Act, the allowable deduction for interest expense was reduced from 33% to 20.00% of the interest income subject to final tax.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020, 2021 and 2022, the

NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Bank elected to claim itemized expense deductions instead of the OSD in computing for the RCIT in 2025 and 2024.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

Income derived by the FCDU from foreign currency-denominated transactions with non-residents OBUs, local commercial banks, including branches of foreign banks, is tax exempt. However, interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to a 10% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15%. A uniform 20% final tax on interest income from any currency deposit, regardless of tenor, will apply beginning July 1, 2025 and 2024, respectively. Trading gains from long-term bonds issued on or after July 1 2025, are subject to income tax.

Provision for income tax consists of:

	2025	2024	2023
Current:			
Final tax	**₱473,104,827**	₱695,239,876	₱1,131,814,810
Current income tax	**164,324,507**	125,068,229	76,759,110
	637,429,334	820,308,105	1,208,573,920
Deferred	**(102,600,416)**	(91,120,738)	(850,610,415)
	₱534,828,918	₱729,187,367	₱357,963,505

Net deferred tax assets consist of the following tax effects:

	2025	2024
Deferred tax assets on:		
Allowance for credit and impairment losses	**₱1,118,129,803**	₱1,053,726,274
Remeasurement losses on retirement plan	**357,841,037**	346,171,389
Unamortized pension cost contribution	**133,539,039**	140,308,708
Accumulated depreciation of assets foreclosed or dacioned	**109,486,007**	107,421,228
Lease liabilities	**286,412,404**	297,632,447
Loan modification	**14,912,924**	18,670,332
Unrealized foreign exchange loss	**51,352**	–
Net unrealized loss on fair value of FVOCI	**48,408,012**	6,073,967
	2,068,780,578	1,970,004,345
Deferred tax liabilities on:		
Net unrealized gain on investment properties	**(391,792,462)**	(398,490,237)
Right-of-use assets	**(244,209,890)**	(251,768,713)
Unrealized foreign exchange gains	**–**	(1,237,234)
	(636,002,352)	(651,496,184)
	₱1,432,778,226	₱1,318,508,161

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2025 and 2024, the Bank did not recognize deferred tax assets on allowance for credit and impairment losses amounting to ₱0.2 million and ₱0.7 million, respectively. Income tax effect credited (debited) in OCI amounted to ₱11.7 million, (₱30.2 million), and ₱126.9 million in 2025, 2024, and 2023, respectively.

The Bank believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

Details of the excess MCIT over RCIT credits of the Bank follow:

	Amount	Used/Expired	Balance	Expiry Year
2022	₱35,228,014	₱35,228,014	₱–	2025
2024	32,008,649	–	32,008,649	2027
2025	21,500,774	–	21,500,774	2028
	₱88,737,437	₱35,228,014	₱53,509,423	–

The reconciliation between the statutory income tax and effective income tax follows (in thousands):

	2025	2024	2023
Statutory income tax	**₱1,009,078**	₱1,484,407	₱1,222,256
Tax effects of:			
Change in unrecognized deferred tax assets and others	**(54,341)**	(748,115)	(851,611)
Non-taxable, tax-paid and tax-exempt income	**(560,699)**	(199,081)	(307,780)
Nondeductible expenses	**150,207**	177,000	306,566
FCDU income	**(9,416)**	14,976	(11,467)
Effective income tax	**₱534,829**	₱729,187	₱357,964

28. Earnings Per Share

The following table presents information used to calculate basic EPS:

	2025	2024	2023
a. Net income	**₱3,501,484,938**	₱5,208,442,415	₱4,531,061,864
b. Weighted average number of common shares for basic earnings per share	**426,859,416**	426,859,416	426,859,416
c. Basic/Diluted EPS (a/b)	**8.20**	12.20	10.61

As of December 31, 2025, 2024 and 2023, there were no potential common shares with dilutive effect on the basic EPS of the Bank.

29. 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 Bank's related parties are as follows:

- Bank's Directors, Officers, Stockholders and their Related Interests (DOSRI) as defined per BSP's existing DOSRI rules and regulations;
- Close Family Members (i.e., second degree relatives) of the Bank's Directors, Officers with rank of SVP and up, and Individual Substantial Stockholders;
- Bank's Subsidiaries and Affiliates as defined per BSP's existing rules and regulations on lending to subsidiaries and affiliates;
- Any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Subsidiaries, Affiliates and Special Purpose Entities (SPEs) of any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Corresponding Persons in Affiliated Companies as defined in the Bank's Related Party Transaction (RPT) Policy; and
- Any natural person or juridical entity whose interest may pose potential conflict with the Bank's interest.

The Bank has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.

<u>Transactions with the Retirement Plan</u>

On December 20, 2012, the SEC issued Memorandum Circular No. 12 providing for guidelines on the disclosure of transactions with retirement benefit funds. Under said circular, a reporting entity shall disclose information about any transaction with a related party (retirement fund, in this case) and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Under PFRS Accounting Standards, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust Division of the Bank. The total fair value of the retirement fund as of December 31, 2025 and 2024 amounted to ₱4.4 billion and ₱4.0 billion, respectively. The details of the assets of the fund as of December 31, 2025 and 2024 are disclosed in Note 24.

The following table shows the amount of outstanding balances of related party transactions of the Bank with the retirement plan of the employees of the Bank as of December 31, 2025 and 2024:

		2025	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Savings Deposit	**₱16,328,854**	**₱–**
	Investment in Money Market Fund*	**41,824,362**	**–**
	Income from UITF**	**–**	**1,579,277**
	Interest income	**–**	**16,103**
First Metro ETF	Equity investment***	**22,397,659**	–

*Includes fair value gains of ₱4.0 million
**Includes fair value gains of ₱1.6 million
***Includes fair value loss of (₱1.9 million)

NOTES TO FINANCIAL STATEMENTS

		2024	
		Elements of Transaction	
Related Party	Nature of Transaction	Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱17,827,917	₱–
	Investment in Money Market Fund*	40,245,085	–
	Income from UITF**	–	1,775,901
	Interest income	–	17,250
First Metro ETF	Equity investment***	23,417,750	–

*Includes fair value gains of ₱2.4 million
**Includes fair value loss of ₱0.5 million
***Includes fair value loss of ₱0.9 million

Transactions relating to the Bank's retirement plan are approved by its Retirement Committee. The voting right over the investments in the Bank's capital stocks is exercised by a member of the Retirement Committee as approved by all members of the Retirement Committee, who are senior officers of the Bank.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures.*

Total remunerations of key management personnel (covering assistant vice presidents and up) included under 'Compensation and fringe benefits' in the statements of income are as follows:

	2025	2024
Short-term employee benefits	**₱417,555,568**	₱392,774,784
Post-employment pension benefits	**5,222,451**	7,185,126
	₱422,778,019	₱399,959,910

Short-term employee benefits include salaries and other non-monetary benefits.

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱19.1 million, ₱17.3 million, and ₱19.1 million in 2025, 2024, and 2023, respectively.

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Other related party transactions of the Bank by category of related party are presented below. The following tables show the amount and outstanding balances included in the financial statements (in thousands):

	December 31, 2025		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Parent Company			
Due from other banks	**₱94,336**	**₱1,388,778**	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.05% to 5.00%
Financial assets at amortized cost	–	**60,000**	Pledged for security of payroll account with MBTC
Interbank call loans receivable			Peso denominated lending with fixed interest rate ranging from
Placements	**533,959,000**	–	5.94% to 6.59% maturities ranging from 1 to 5 days, secured
Maturities	**(528,415,000)**	–	
Accounts receivable	**1,454**	**4,433**	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Prepaid expenses	**40,849**	**40,849**	
Miscellaneous assets	**(320)**	**1,393**	Security deposits on lease contracts

(Forward)

Category	December 31, 2025 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Miscellaneous liabilities	**₱4,929**	**₱17,182**	Advance payments of security deposits from various tenants
Deposit liabilities	**88,061**	**141,759**	Short term peso and foreign-currency denominated deposits
Accrued other expense payable	**(18,494)**	**22,990**	Outstanding information technology expense payable
Interest income	**127,291**	–	Income on deposits and interbank call loans receivables
Rental income	**29,615**	–	Income from leasing agreements with various lease terms ranging from 1 to 5 years
Rent expense	–	–	Payment of rent
Information technology expense	**181,987**	–	Payment of information technology transactions
Interest expense	**2,916**	–	Interest from bills payable
Securities transactions			
Outright purchases	**10,151,800**	–	Outright purchase of FVOCI investments
Outright sales	**8,400,000**	–	Outright sale of FVOCI investments
Joint Venture			
Investment in a joint venture	**12,169**	**904,205**	Outstanding balance of capital investment in SMFC
Dividends from joint venture	**37,980**	–	Dividends from SMFC
Accounts receivable	**(217)**	**846**	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	**80,246**	**311,072**	Demand and short-term peso time deposits with annual fixed rates of 0.25% to 5.75%
Accrued interest payable	**(80)**	**737**	Interest payable on deposit liabilities
Miscellaneous liabilities	–	**10,540**	Advance payment of security deposits
Rental income	**18,782**	–	Income from leasing agreements
Interest expense	**15,473**	–	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers		**1,108,014**	Peso denominated lending which earn 5.04% to 6.00% with
Placements	–	–	maturity terms from 1 to 15 years (excluding key personnel); mostly
Maturities	**12,481**	–	unsecured, with ECL
Accrued Interest Receivable	**5,694**	**5,694**	Accrued interest on loans
Miscellaneous assets	**65**	**2,773**	Security deposits
Accounts receivable	**(1,754)**	**1,002**	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid insurance	**762**	**5,654**	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	**1,835,398**	**3,829,440**	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 5.88%
Accrued other expense payable	**(446)**	–	Outstanding group life insurance
Accrued interest payable	**20,266**	**25,728**	Interest payable on deposit liabilities
Accounts payable	**255**	**461**	Various personal and car insurance payable
Miscellaneous liabilities	**(1,811)**	**5,067**	Advance payment of security deposits
Rental income	**9,087**	–	Income from leasing agreements with various lease terms
Interest income	**47,569**	–	Income on loans receivables
Miscellaneous income	**52,711**	–	Miscellaneous income from insurance
Insurance expense	**60,451**	–	Payment of insurance premium
Interest expense	**371,019**	–	Interest on deposit liabilities
Rent expense	**279**	–	Payment of rent expense to various lessors
Securities transactions			
Outright purchases			Outright purchase of Financial Assets at amortized cost
Key Personnel			
Receivables from customers		**15,376**	Unsecured, no impairment, with annual
Availments	**2,968**	–	fixed interest rates of 3.00% to 6.00%
Maturities	**1,743**	–	and maturities ranging from 1 to 15 years
Interest income	**1,251**	–	Interest income from loans

Category	December 31, 2024 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	₱165,388	₱1,294,442	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.05% to 5.00%
Financial assets at amortized cost	–	60,000	Pledged for security of payroll account with MBTC
Interbank call loans receivable		–	Peso denominated lending with fixed interest rate ranging from
Placements	–		5.94% to 6.59% maturities ranging from 1 to 5 days, secured
Maturities	–		
Accounts receivable	(444)	2,980	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	856	1,713	Security deposits on lease contracts
Miscellaneous liabilities	8,695	12,253	Advance payments of security deposits from various tenants
Deposit liabilities	–	53,698	Short term peso and foreign-currency denominated deposits
Accrued other expense payable	16,182	41,485	Outstanding information technology expense payable
Interest income	94,208	–	Income on deposits and interbank call loans receivables
Rental income	23,183	–	Income from leasing agreements with various lease terms ranging from 1 to 5 years
Rent expense	2,338	–	Payment of rent

(Forward)

NOTES TO FINANCIAL STATEMENTS

	December 31, 2024		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Information technology expense	₱165,206	₱–	Payment of information technology transactions
Interest expense	6,938	–	Interest from bills payable
Securities transactions			
Outright purchases	24,187,700	–	Outright purchase of FVOCI investments
Joint Venture			
Investment in a joint venture	48,188	892,037	Outstanding balance of capital investment in SMFC
Dividends from joint venture	32,701	–	Dividends from SMFC
Accounts receivable	779	1,064	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	(158,225)	230,826	Demand and short-term peso time deposits with annual fixed rates of 0.25% to 5.75%
Accrued interest payable	818	818	Interest payable on deposit liabilities
Miscellaneous liabilities	2,679	10,540	Advance payment of security deposits
Rental income	18,855	–	Income from leasing agreements
Interest expense	22,830	–	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers		1,120,495	Peso denominated lending which earn 5.04% to 6.00% with maturity terms from 1 to 15 years (excluding key personnel); mostly unsecured, with ECL
Placements	–	–	
Maturities	(20,587)	–	
Miscellaneous assets	(1,430)	2,708	Security deposits
Accounts receivable	1,711	2,756	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid insurance	667	4,893	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	(1,773,070)	1,994,042	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 5.88%
Accrued other expense payable	–	446	Outstanding group life insurance
Accrued interest payable		5,462	Interest payable on deposit liabilities
Accounts payable	661	206	Various personal and car insurance payable
Miscellaneous liabilities	2,101	6,878	Advance payment of security deposits
Rental income	11,745	–	Income from leasing agreements with various lease terms
Miscellaneous income	21,851	–	Miscellaneous income from insurance
Insurance expense	53,370	–	Payment of insurance premium
Interest expense	313,314	–	Interest on deposit liabilities
Rent expense	222	–	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	3,160,000	–	Outright purchase of Financial Assets at amortized cost
Key Personnel			
Receivables from customers		14,151	Unsecured, no impairment, with annual fixed interest rates of 3.00% to 6.00% and maturities ranging from 1 to 15 years
Availments	3,067	–	
Maturities	2,830	–	
Interest income	1,193	–	Interest income from loans

	December 31, 2023		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	(₱462,999)	₱1,129,054	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Financial assets at amortized cost	–	60,000	Pledged for security of payroll account with MBTC
Interbank call loans receivable		–	Peso denominated lending with fixed interest rate ranging from 6.19% to 6.41% maturities ranging from 1 to 5 days, secured
Placements	27,000,000		
Maturities	(27,000,000)		
Accounts receivable	2,118	3,424	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	857	857	Security deposits on lease contracts
Miscellaneous liabilities	1,189	3,558	Advance payments of security deposits from various tenants
Deposit liabilities	–	36,782	Short term peso and foreign-currency denominated deposits
Accrued other expense payable	(128,137)	25,303	Outstanding information technology expense payable
Interest income	9,717		Income on deposits and interbank call loans receivables
Rental income	9,039	–	Income from leasing agreements with various lease terms ranging from 1 to 5 years
Rent expense	122	–	Payment of rent
Information technology expense	112,411	–	Payment of information technology transactions
Securities transactions			
Joint Venture			
Investment in a joint venture	27,564	843,849	Outstanding balance of capital investment in SMFC
Dividends from joint venture	57,600	–	Dividends from SMFC
Accounts receivable	(716)	285	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	313,170	389,051	Short term peso time-deposits deposits with annual fixed rates ranging from 5.50% to 5.75%

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2023		
Miscellaneous liabilities	₱–	₱7,861	Advance payment of security deposits
Rental income	12,204	–	Income from leasing agreements
Interest expense	20	–	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers		1,141,082	Peso denominated lending with interest rates ranging from 3.00% to 4.83% with maturity terms of 14 days to 5 years (excluding key personnel); mostly unsecured, with ECL
Placements	950,000	–	
Maturities	(951,433)	–	
Miscellaneous assets	4,138	4,138	Security deposits
Accounts receivable	372	1,045	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid insurance	(2,220)	4,226	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	225,907	3,767,112	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable	(705)	446	Outstanding group life insurance
Accounts payable	(8,304)	(455)	Various personal and car insurance payable
Miscellaneous liabilities	2,905	4,777	Advance payment of security deposits
Rental income	42,771	–	Income from leasing agreements with various lease terms
Insurance expense	29,846	–	Payment of insurance premium
Interest expense	244	–	Interest on deposit liabilities
Rent expense	165	–	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	236,792	–	Outright purchase of Financial Assets at amortized cost
Key Personnel			
Receivables from customers		13,914	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Availments	2,975	–	
Maturities	(557)	–	
Interest income	1,038	–	Interest income from loans

30. Trust Operations

Securities and other resources held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of condition since these are not assets of the Bank.

As of December 31, 2025 and 2024, the Bank deposited government securities with carrying value of ₱119.7 million and ₱119.5 million, respectively, in compliance with trust regulations (Note 8).

In compliance with existing banking regulations, the Bank transferred from surplus to surplus reserve the amount of ₱2.5 million and ₱2.8 million, which corresponds to 10.00% of the net income realized from the Bank's Trust Department in 2025 and 2024, respectively.

31. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies

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

	2025	2024
Trust department accounts (Note 30)	**₱9,714,688,709**	₱10,249,018,666
Spot foreign exchange and contracts sale	**88,185,000**	28,922,500
Stand-by credit lines	**29,441,474**	79,885,313
Items held for safekeeping	**255,700**	258,875
Others	**43,885**	49,957

Also, several suits and claims, on behalf of or against the Bank in relation to its banking operations and labor-related cases are pending before the courts and quasi-judicial bodies. The Bank and its legal counsel believe that any losses arising from suits and claims which are not specifically provided for will not have a material adverse effect on the financial statements.

32. Notes to Statements of Cash Flows

The following is a summary of principal non-cash activities that relate to the analysis of the statements of cash flows:

	2025	2024	2023
Additions to chattel mortgage in settlement of loans (Note 14)	**₱5,206,376,190**	₱3,922,282,431	₱2,320,586,633
Additions to investment properties in settlement of loans (Note 12)	**548,342,459**	472,856,965	660,520,059
Recognition of right-of-use assets (Note 11) and lease liabilities (Note 25)	**424,872,914**	451,270,041	312,921,930
Fair value changes in financial assets at FVOCI (Note 8)	**215,670,956**	(29,502,024)	119,107,530
Cumulative translation adjustment	**(37,329)**	12,638	399

The table below provides for the changes in liabilities arising from financing activities in 2025 and 2024 (in millions):

	Bills Payable	Bonds Payable	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2025	**₱–**	**₱–**	**₱1,191**	**₱1,191**
Cash flows from availments	**7,493**	**4,953**	**–**	**12,446**
Cash flows from settlement	**(7,493)**	**–**	**(522)**	**(8,015)**
Others	**–**	**8**	**477**	**485**
December 31, 2025	**₱–**	**₱4,961**	**₱1,146**	**₱6,107**

	Bills Payable	Bonds Payable	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2024	₱272	₱–	₱1,181	₱1,453
Cash flows from availments	2,175	–	–	2,175
Cash flows from settlement	(2,447)	–	(522)	(2,969)
Others	–	–	532	532
December 31, 2024	₱–	₱–	₱1,191	₱1,191

Others include amortization of bills payable and bonds payable, additions to lease liabilities, and accretion and termination of lease liabilities.

As of December 31, 2025 and 2024, the Bank recognized allowance for credit losses from 'Due from other banks' amounting to ₱0.7 million and ₱1.5 million, respectively.

33. Offsetting of Financial Assets and Liabilities

PFRS 7 requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. There are no financial assets and liabilities subject to offsetting.

34. Approval for the Release of the Financial Statements

The accompanying comparative financial statements by the Bank were authorized for issue by the BOD on February 19, 2026.

35. Subsequent Events

Cash Dividend Declaration

On January 15, 2026, the BOD of the Bank approved the declaration of a 7.50% regular cash dividend for the fourth quarter of 2025 for stockholders on record as of January 30, 2026 amounting to ₱320.1 million or ₱0.75 per share, to be paid on February 16, 2026.

NOTES TO FINANCIAL STATEMENTS

36. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Financial Performance
The following basic ratios measure the financial performance of the Bank:

	2025	2024	2023
Return on average equity	**7.76%**	12.36%	11.72%
Return on average assets	**1.54%**	2.29%	1.80%
Net interest margin on average earning assets	**6.51%**	6.00%	5.18%
Current ratio	**14.74%**	20.09%	48.89%
Debt-to-equity ratio	**4.15:1**	3.91:1	4.94:1
Asset-to-equity ratio	**5.15:1**	4.91:1	5.94:1
Interest rate coverage ratio	**1.94:1**	2.30:1	1.84:1

Capital Instruments Issued
The Bank considers common stock as capital instruments eligible as Tier 1 and Tier 2 capital as of December 31, 2025 and 2024.

Significant Credit Exposures as to Industry/Economic Sector
Loan concentration as to economic activity follows (gross of unearned discounts, modification loss and allowance for credit losses):

	2025	%	2024	%
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	**₱100,138,267,046**	**64.55%**	₱92,786,857,517	64.45%
Real estate activities	**41,179,121,322**	**26.54%**	38,835,820,396	26.98%
Wholesale and retail trade, repair of motor vehicles and motorcycles	**3,180,854,875**	**2.05%**	3,110,538,171	2.16%
Administrative and support service activities	**1,200,094,754**	**0.77%**	288,086,340	0.20%
Transportation and storage	**1,171,992,306**	**0.76%**	982,491,678	0.68%
Electricity, gas, steam and air-conditioning supply	**878,441,607**	**0.57%**	920,106,743	0.64%
Manufacturing	**729,022,243**	**0.47%**	697,689,888	0.48%
Construction	**700,765,363**	**0.45%**	735,228,153	0.51%
Accommodation and food service activities	**518,275,305**	**0.33%**	291,754,290	0.20%
Financial and insurance	**256,335,906**	**0.17%**	1,239,899,254	0.86%
Education	**204,727,439**	**0.13%**	182,850,945	0.13%
Agriculture, forestry and fishing	**182,917,456**	**0.12%**	186,258,606	0.13%
Professional, scientific and technical activities	**147,889,626**	**0.10%**	140,749,477	0.10%
Human health and social work activities	**102,809,396**	**0.07%**	84,219,024	0.06%
Arts, entertainment and recreation	**80,681,813**	**0.05%**	79,791,327	0.06%
Water supply, sewerage, waste management and remediation activities	**72,848,786**	**0.05%**	62,903,638	0.04%
Information and communication	**71,065,858**	**0.05%**	88,713,932	0.06%
Mining and quarrying	**4,396,923**	**0.00%**	4,981,931	0.00%
Others	**4,323,888,534**	**2.77%**	3,249,948,131	2.26%
	₱155,144,396,558	**100.00%**	₱143,968,889,441	100.00%

Others relate to other service activities including the activities of membership organizations, repair of computers, personal and household goods and a variety of personal service activities not covered elsewhere in the classification above.

Breakdowns of Total Loans as to Security

The breakdown of loans and receivables from customers (gross of unearned discounts, modification loss and allowance for credit losses) as to secured and unsecured and as to type of security follows:

	2025	%	2024	%
Secured by:				
Chattel	**₱83,629,953,271**	**53.90%**	₱68,038,515,264	47.26%
Real estate	**35,867,983,056**	**23.12%**	33,098,088,594	22.99%
Deposit hold-out	**496,866,201**	**0.32%**	500,495,894	0.35%
	119,994,802,528	**77.34%**	101,637,099,752	70.60%
Unsecured	**35,149,594,030**	**22.66%**	42,331,789,689	29.40%
	₱155,144,396,558	**100.00%**	₱143,968,889,441	100.00%

Breakdown of Total Loans as to Status

Details of non-performing loans (NPL) follow:

	2025	2024
Secured	**₱4,653,162,424**	₱2,595,185,248
Unsecured	**1,258,125,455**	1,140,410,717
	₱5,911,287,879	₱3,735,595,965

Generally, NPLs refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions:

1. Impaired under existing accounting standards;
2. Classified as doubtful or loss;
3. In litigation, and/or;
4. There is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are:

1. Unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.
2. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.
3. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

The NPLs of the Bank not fully covered by allowance for credit losses follow:

	2025	2024
Total NPLs	**₱5,911,287,879**	₱3,735,595,965
Less NPLs fully covered by allowance for credit losses	**877,898,202**	435,552,212
	₱5,033,389,677	₱3,300,043,753

NOTES TO FINANCIAL STATEMENTS

Restructured loans as of December 31, 2025 and 2024 amounted to ₱46.4 million and ₱63.1 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱0.5 billion as of December 31, 2025 and 2024.

Information on Related Party Loans
As required under existing BSP rules and regulations, the Bank discloses loans and other credit accommodations granted to its DOSRI. These loans and other credit accommodations were made substantially on the same terms as with other individuals and businesses of comparable risks and were subject of prior BOD approval and entailing BSP reportorial requirements.

Existing banking regulations also limit the total amount of credit exposure to each of the Bank's DOSRIs, at least 70.00% of which must be secured, to the total of their respective deposits and book value of their respective unencumbered deposits and, if any, book value of their respective paid-in capital contribution in the Bank. In the aggregate, the Bank's total credit exposure to all its DOSRIs should not exceed its net worth or 15.00% of its total loan portfolio, whichever is lower, with any unsecured portion thereof not exceeding the lower between 30.00% of the aggregate limit or of the total actual exposure. However, loans and other credit accommodations to DOSRIs that are secured by assets considered by the BSP as non-risk are exempt from these ceilings. As of December 31, 2025 and 2024, the Bank's credit exposures to DOSRI are within the said regulatory limits.

BSP Circular No. 423 dated March 15, 2004, as amended by BSP Circular No. 914 dated June 23, 2016, provide the rules and regulations governing credit exposures to DOSRI. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2025 and 2024 (in thousands):

	2025		2024	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Total outstanding loans	**₱183,642**	**₱1,118,642**	₱186,375	₱1,121,375
Percent of DOSRI/Related Party loans to total loan portfolio	**0.12%**	**0.72%**	0.13%	0.78%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**98.76%**	**99.80%**	98.57%	99.76%
Percent of past-due DOSRI /Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI /Related Party loans	**0.00%**	**0.00%**	0.00%	0.00%

Total interest income from DOSRI loans amounted to ₱11.4 million in 2025, ₱11.2 million in 2024 and ₱3.9 million in 2023.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security
As of December 31, 2025 and 2024, investment securities at amortized cost include Bureau of Treasury bonds pledged by the Bank to MBTC to secure its payroll account with the Bank, with total carrying value of ₱63.0 million and ₱63.2 million, respectively.

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

	2025	2024
Trust department accounts (Note 30)	**₱9,714,688,709**	₱10,249,018,666
Spot foreign exchange and contracts sale	**88,185,000**	28,922,500
Stand-by credit lines	**29,441,474**	79,885,313
Items held for safekeeping	**255,700**	258,875
Others	**43,885**	49,957

37. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002. The regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Bank reported and/or paid the following types of taxes for the year:

Taxes and Licenses
For the taxable year ended December 31, 2025, taxes and licenses of the Bank consist of:

Gross receipts tax	₱912,207,733
Documentary stamps tax	494,887,850
Local taxes	87,000,809
Fringe benefit tax	7,528,579
	₱1,501,624,971

Withholding Taxes
As of December 31, 2025, total remittances and balance of withholding taxes are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱489,086,701	₱23,865,926
Final withholding taxes	686,550,711	61,601,072
Expanded withholding taxes	110,643,798	9,592,919
VAT on Digital Services	1,041,540	71,115
	₱1,287,322,750	₱95,131,032

Tax Assessment
The Bank has no ongoing tax assessment as of December 31, 2025.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philippine Savings Bank (the Bank) as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 19, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-188
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 128627-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-193-2025, October 1, 2025, valid until September 30, 2028
PTR No. 10765008, January 2, 2026, Makati City

February 19, 2026

INDEPENDENT AUDITOR'S REPORT COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philippine Savings Bank (the Bank) as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 19, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-188
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
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February 19, 2026

INDEX TO THE SUPPLEMENTARY SCHEDULES

I. Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)

II. Map of the Relationships of the Companies within the Group

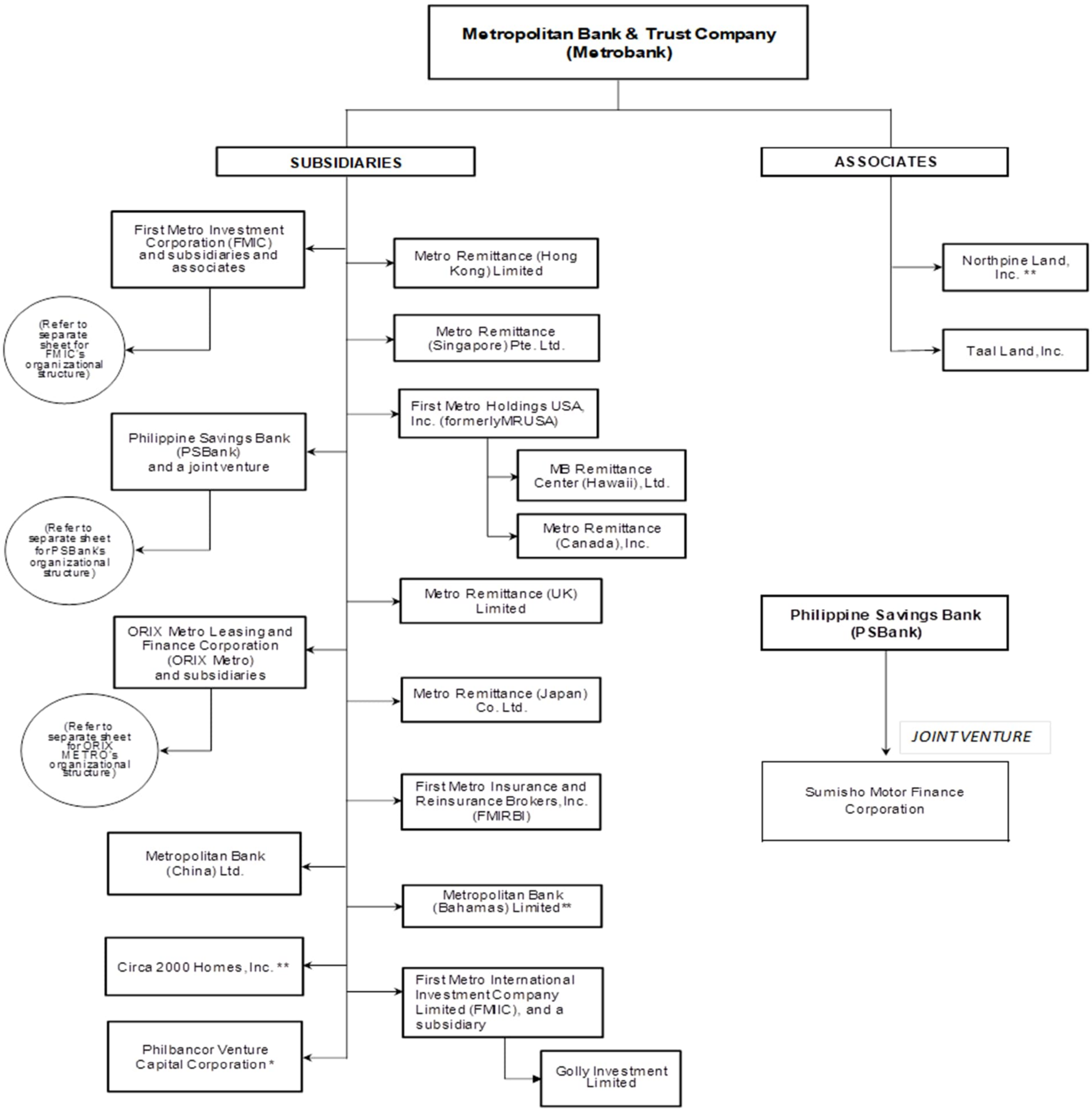
III. Supplementary Schedules Required by Annex 68-J
   A. Financial Assets
   B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
   C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
   D. Long-term Debt
   E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
   F. Guarantees of Securities of Other Issuers
   G. Capital Stock

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
(ANNED 68-D) AS OF DECEMBER 31, 2025

Unappropriated Retained Earnings, beginning of reporting period		**₱25,524,506,107**
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(1,280,578,248)	
Retained Earnings appropriated during the reporting period	(2,494,025)	(1,283,072,273)
Unappropriated Retained Earnings, as adjusted		**24,241,433,834**
Add/Less: Net Income (loss) for the current year		**3,501,484,938**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	12,241,886	
Unrealized foreign exchange gains, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of Investment Property	1,175,377,385	
Sub-total		**1,187,619,271**
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	3,711,703	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	–	
Reversal of previously recorded fair value gain of Investment Property	1,195,470,712	
Sub-total		**1,199,182,415**
Adjusted Net Income/Loss		**3,513,048,082**
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(98,326,627)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g. set up of right of use asset and lease liability	3,661,220	
Sub-total		**(94,665,407)**
Total Retained Earnings, end of the reporting period available for dividend		**₱27,659,816,509**

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

AS OF DECEMBER 31, 2025



** In process of dissolution*
*** In process of liquidation*

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2025

Name of Issuing Entity and Association of Each Issue (i)	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Condition (ii)	Valued based on Market Quotation at End of Reporting Period (iii)	Interest Income Accrued as at End of Reporting Period
Fair Value through Profit or Loss (FVTPL) Investments				
Government Bonds	**₱46,521**	**₱40,224**	**₱40,224**	**₱669**
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)				
Debt Securities				
Government Bonds				
Peso-denominated	₱31,075,006,467	₱31,850,435,667	₱31,850,435,667	₱643,084,412
Dollar-denominated	881,850,000	887,445,338	887,445,338	13,497,204
	31,956,856,467	32,737,881,005	32,737,881,005	656,581,616
Private Corporation				
Peso-denominated	350,000,000	342,343,526	342,343,526	2,713,846
	32,306,856,467	33,080,224,531	33,080,224,531	659,295,462
Equity Securities	6,594,720	38,456,160	38,456,160	–
	₱32,313,451,187	**₱33,118,680,691**	**₱33,118,680,691**	**₱659,295,462**
Investment Securities at Amortized Cost				
Government Bonds				
Peso-denominated	₱17,991,057,000	₱17,988,224,603	₱18,101,089,076	₱200,637,669
Dollar-denominated	8,849,776,280	10,603,611,785	10,060,715,432	280,383,234
	26,840,833,280	28,591,836,388	28,161,804,508	481,020,903
Private Corporation				
Peso-denominated	10,580,000	10,554,107	10,676,014	121,248
	₱26,851,413,280	**₱28,602,390,495**	**₱28,172,480,522**	**₱481,142,151**
	₱59,164,910,988	**₱61,721,111,410**	**₱61,291,201,437**	**₱1,140,438,282**

(i) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two per cent of total assets.
(ii) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective Statements of Condition caption or captions.
(iii) This column may be omitted if all amounts that would be shown are the same as in the immediate preceding column.

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS OF DECEMBER 31, 2025

Name and Designation of Debtor (i)	Balance at Beginning of the Period	Additions	Amounts Collected (ii)	Amounts Written-off (iii)	Current	Not Current	Balance at End of Period

NONE TO REPORT

Note: Transactions to these parties are made in the ordinary course of business.

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

Name and Designation of debtors	Balance at Beginning of Period	Additions	Amounts Collected (i)	Amounts Written Off (ii)	Current	Not Current	Balance at End of Period

NOT APPLICABLE

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J

SCHEDULE D - LONG TERM DEBT

AS OF DECEMBER 31, 2025

Title of Issue and Type of Obligation (i)	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in related Statement of Condition (ii)	Amount shown under Caption "Long-Term Debt" in related Statement of Condition (iii)	Interest Rate	Maturity Date
Bonds Payable	₱5,000,000,000	₱–	₱4,961,054,417	5.875%	August 18, 2027

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS OF DECEMBER 31, 2025

Name of Related Party (i)	Balance at Beginning of Period	Balance at the End of Period (ii)

NONE TO REPORT

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS OF DECEMBER 31, 2025

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is filed	Title of Issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding (i)	Amount Owned by Person for which Statement is Filed	Nature of Guarantee (ii)

NONE TO REPORT

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J

SCHEDULE G - CAPITAL STOCK

AS OF DECEMBER 31, 2025

Title of Issue (i)	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties (ii)	Directors, Officers, and Employees	Others (iii)
Common Stock - ₱10 par value	600,000,000	426,859,416	–	377,279,068	962	49,579,386

SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATOR

(ANNEX 68-E)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	December 31, 2025	December 31, 2024
PROFITABILITY RATIOS		
Return on Assets		
Net Income / Average Total Resources	**1.54%**	2.29%
Return on Equity		
Net Income / Average Stockholders' Equity	**7.76%**	12.36%
Net Interest Margin		
Net Interest Income / Average Earning Assets	**6.51%**	6.00%
Cost to Income Ratio		
Operating Expenses Excluding Provision for Impairment and Credit Losses and Income Taxes / Net Interest Income + Operating Income	**60.29%**	60.51%
SOLVENCY RATIOS		
Debt to Equity Ratio		
Total Liabilities / Total Stockholders' Equity	**4.15:1**	3:91:1
Asset-to-Equity Ratio		
Total Assets / Total Stockholders' Equity	**5.15:1**	4:91:1
Interest Rate Coverage Ratio		
Earnings Before Interest and Taxes / Interest Expense	**1.94:1**	2:30:1
LIQUIDITY RATIOS		
Liquidity/Current Ratio		
Current Assets / Current Liabilities	**14.74%**	20.09%
Loans to Deposit Ratio		
Gross Loans* / Total Deposits	**86.24%**	87.45%
Capital Adequacy Ratio		
Total Qualifying Capital / Total Risk-Weighted Assets	**24.35%**	23.56%

**Loans and receivables, net of unearned discounts and capitalized interest (before allowance for credit losses)*

SUPPLEMENTARY SCHEDULE ON EXTERNAL AUDITOR
FEE-RELATED INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Total Audit Fees[1] (including Trust and Retirement Fund)	**₱3,151,891**	₱3,004,365
Non-audit services fee:		
Other assurance services	**3,000,000**	–
Tax services	–	–
All other services	**396,200**	44,000
Total Non-audit Fees[2]	**3,396,200**	44,000
Total Audit and Non-audit Fees	**₱6,548,091**	₱3,048,365

Notes:

1. *Disclose agreed fees (excluding out of pocket expenses and VAT) with the external auditor/audit firm and its network firms (as applicable) for the audit of the covered company's stand- alone financial statements on which the external auditor/audit firm expresses an opinion. These do not include fees for special purpose audit or review of financial statements.*

2. *Section 2.1 b: Disclose charged or billed fees {excluding out of pocket expenses and VAT) by the external auditor/audit firm or a network firm {as applicable) for non-audit services to the covered company on which the external auditor/audit firm expresses an opinion. These include other assurance services such as special purpose audit or review of financial statements.*