

Maybank Philippines, Incorporated

Financial Statements
December 31, 2025 and 2024

and

Independent Auditor's Report



INDEPENDENT AUDITOR’S REPORT

The Stockholders and the Board of Directors
Maybank Philippines, Incorporated

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maybank Philippines, Incorporated (the Bank) which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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.

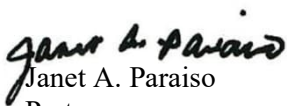
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 33 and Revenue Regulations 15-2010 in Note 34 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 Maybank Philippines, Incorporated. 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.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

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

SEC Partner Accreditation No. 92305-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

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

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-062-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10765004, January 2, 2026, Makati City

April 14, 2026



MAYBANK PHILIPPINES, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Cash and Other Cash Items	₱2,183,044,358	₱1,956,185,744
Due from Bangko Sentral ng Pilipinas (Notes 6 and 13)	3,661,230,719	8,084,429,325
Due from Other Banks (Notes 6 and 28)	6,637,781,862	508,236,828
Interbank Loans Receivable (Note 6)	1,300,000,000	2,529,840,390
Financial Assets at Fair Value Through		
Profit or Loss (FVTPL) (Notes 5, 7, and 17)	753,327,526	2,521,808,282
Financial Assets at Fair Value Through Other		
Comprehensive Income (FVOCI) (Notes 5 and 8)	10,688,437,219	14,322,875,783
Investment Securities at Amortized Cost (Notes 8 and 26)	11,003,671,362	14,136,999,954
Loans and Receivables (Note 9)	52,974,061,512	62,025,190,679
Property and Equipment (Note 10)	357,511,351	294,164,268
Right-of-Use Assets (Note 24)	711,109,264	634,319,519
Investment Properties (Note 11)	1,702,348,442	1,800,121,153
Deferred Tax Assets (Note 25)	828,964,012	1,006,121,158
Other Assets (Note 12)	651,395,631	876,903,774
TOTAL ASSETS	₱93,452,883,258	₱110,697,196,857
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 13 and 28)		
Demand	₱24,700,279,482	₱24,544,060,368
Savings	25,672,478,140	19,708,866,423
Time	18,821,049,337	31,552,414,791
	69,193,806,959	75,805,341,582
Bills Payable (Notes 14 and 28)	8,818,500,000	14,808,320,000
Accrued Interest, Taxes and Other Expenses (Note 15)	939,446,310	827,178,597
Lease Liabilities (Note 24)	809,885,746	756,008,213
Financial Liabilities at Fair Value through		
Profit or Loss (FVTPL) (Notes 7 and 17)	19,217,312	163,409,014
Manager's Checks	293,789,384	709,259,872
Income Tax Payable	84,540,258	28,841,261
Subordinated Debt (Note 28)	1,290,392,290	—
Other Liabilities (Note 16)	1,991,379,194	5,630,618,073
	83,440,957,453	98,728,976,612
EQUITY		
Preferred Stock (Note 19)	232,539,724	232,539,724
Common Stock (Note 19)	10,313,344,184	10,313,344,184
Treasury Shares (Note 19)	(383,605)	(383,605)
Surplus Reserve (Note 19)	149,095,037	71,228,902
Surplus (Deficit)	(178,989,040)	1,735,658,344
Net Unrealized Losses on Financial Assets at Fair Value Through Other		
Comprehensive Income (Note 8)	(391,637,866)	(294,365,115)
Remeasurement Losses on Retirement Plan (Note 20)	(115,590,280)	(91,020,882)
Cumulative Translation Adjustment	3,547,651	1,218,693
	10,011,925,805	11,968,220,245
TOTAL LIABILITIES AND EQUITY	₱93,452,883,258	₱110,697,196,857

See accompanying Notes to Financial Statements.



MAYBANK PHILIPPINES, INCORPORATED
STATEMENTS OF INCOME (LOSS)

	Years Ended December 31	
	2025	2024
INTEREST INCOME ON		
Loans and receivables (Notes 9 and 28)	₱4,957,047,324	₱4,849,614,874
Financial assets at FVOCI and investment securities at amortized cost (Notes 8 and 17)	1,221,378,514	1,226,643,406
Interbank loans receivable and securities purchased under resale agreements (Note 6)	98,754,197	191,925,336
Due from Bangko Sentral ng Pilipinas and other banks (Notes 6 and 28)	86,990,135	128,186,479
Financial assets at FVTPL (Note 7)	48,096,627	68,678,663
	6,412,266,797	6,465,048,758
INTEREST EXPENSE ON		
Deposit liabilities (Notes 13 and 28)	1,780,630,396	2,219,275,578
Bills payable and other borrowings (Notes 14 and 28)	516,891,159	525,033,658
Lease liabilities (Note 24)	70,961,948	62,662,384
Financial liabilities at FVTPL (Notes 17 and 28)	1,926,351	3,421,425
Lease liabilities (Note 24)	70,961,948	62,662,384
	2,370,409,854	2,810,393,045
NET INTEREST INCOME	4,041,856,943	3,654,655,713
OTHER OPERATING INCOME		
Service charges, fees and commissions (Notes 22 and 28)	631,101,891	727,879,984
Trading gains - net (Note 21)	141,908,855	88,752,775
Gain (loss) on foreclosures	(125,565,767)	133,109,441
Gain (loss) on sale of properties (Note 10)	38,702,934	(39,732,914)
Foreign exchange gains - net	25,038,030	79,937,000
Miscellaneous (Note 23)	116,791,428	124,273,214
TOTAL OPERATING INCOME	4,869,834,314	4,768,875,213
OTHER OPERATING EXPENSES		
Compensation and fringe benefits (Notes 20 and 28)	1,863,662,515	1,892,135,856
Taxes and licenses	673,212,794	641,801,265
Depreciation and amortization (Notes 10, 11, and 12)	550,992,264	584,693,998
Information technology (Note 28)	358,455,061	296,678,700
Insurance	190,371,404	159,948,246
Security, messengerial and janitorial	183,845,441	165,301,591
Occupancy (Note 24)	113,156,022	134,885,093
Litigation and assets acquired (Note 11)	84,691,805	137,927,698
Management and other professional fees	46,987,219	50,611,656
Postage, telephone and telegrams	45,870,146	48,285,071
Traveling	20,004,236	22,727,139
Stationery and supplies used	19,589,129	21,445,376
Miscellaneous (Note 23)	583,234,487	641,260,215
TOTAL OPERATING EXPENSES	4,734,072,523	4,797,701,904
OPERATING PROFIT (LOSS) BEFORE PROVISIONS FOR IMPAIRMENT AND CREDIT LOSSES	135,761,791	(28,826,691)
PROVISION FOR IMPAIRMENT AND CREDIT LOSSES (Note 9)	1,484,094,006	476,024,640
OPERATING LOSS BEFORE INCOME TAX	(1,348,332,215)	(504,851,331)
PROVISION FOR INCOME TAX (Note 25)	488,449,034	467,922,319
NET LOSS	(₱1,836,781,249)	(₱972,773,650)

See accompanying Notes to Financial Statements.



MAYBANK PHILIPPINES, INCORPORATED
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31	
	2025	2024
NET LOSS	(₱1,836,781,249)	(₱972,773,650)
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Net change in unrealized losses on financial assets at fair value through other comprehensive income (Note 8)	(97,272,751)	(25,867,543)
Cumulative translation adjustment	2,328,958	2,243,340
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gains (losses) on retirement plan (Note 20)	(24,569,398)	14,787,518
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(119,513,191)	(8,836,685)
TOTAL COMPREHENSIVE LOSS	(₱1,956,294,440)	(₱981,610,335)

See accompanying Notes to Financial Statements.



MAYBANK PHILIPPINES, INCORPORATED

STATEMENTS OF CHANGES IN EQUITY

	Preferred Stock				Common Stock	Treasury Shares	Surplus Reserve	Surplus	Net Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total
	"A"	"B"	"C"	Subtotal	(Note 19)	(Note 19)	(Note 19)	(Deficit)	(Note 7)	(Note 20)		
Balances at January 1, 2025	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	(₱383,605)	₱71,228,902	₱1,735,658,344	(₱294,365,115)	(₱91,020,882)	₱1,218,693	₱11,968,220,245
Net loss	—	—	—	—	—	—	—	(1,836,781,249)	—	—	—	(1,836,781,249)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(97,272,751)	(24,569,398)	2,328,958	(119,513,191)
Total comprehensive income (loss)	—	—	—	—	—	—	—	(1,836,781,249)	(97,272,751)	(24,569,398)	2,328,958	(1,956,294,440)
Transfer to surplus reserve (Note 19)	—	—	—	—	—	—	77,866,135	(77,866,135)	—	—	—	—
Balances at December 31, 2025	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	(₱383,605)	₱149,095,037	(₱178,989,040)	(₱391,637,866)	(₱115,590,280)	₱3,547,651	₱10,011,925,805
Balances at January 1, 2024	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	(₱383,605)	₱68,715,134	₱2,710,945,762	(₱268,497,572)	(₱105,808,400)	(₱1,024,647)	₱12,949,830,580
Net loss	—	—	—	—	—	—	—	(972,773,650)	—	—	—	(972,773,650)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(25,867,543)	14,787,518	2,243,340	(8,836,685)
Total comprehensive income (loss)	—	—	—	—	—	—	—	(972,773,650)	(25,867,543)	14,787,518	2,243,340	(981,610,335)
Transfer to surplus reserve	—	—	—	—	—	—	2,513,768	(2,513,768)	—	—	—	—
Balances at December 31, 2024	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	(₱383,605)	₱71,228,902	₱1,735,658,344	(₱294,365,115)	(₱91,020,882)	₱1,218,693	₱11,968,220,245

See accompanying Notes to Financial Statements.



MAYBANK PHILIPPINES, INCORPORATED

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱1,348,332,215)	(₱504,851,331)
Adjustments for:		
Provision for impairment and credit losses (Notes 7, 8, 9, 11, 12 and 16)	1,484,094,006	476,024,640
Depreciation and amortization (Notes 10, 11, 12 and 24)	550,992,264	584,693,998
Amortization of premium/discount	(281,763,297)	(398,856,700)
Loss (gain) on foreclosure of investment properties and other properties acquired	125,565,767	(133,109,441)
Retirement expense (Note 20)	96,188,805	97,188,161
Interest expense on lease contracts (Note 24)	70,961,948	62,662,384
Realized trading gain on sale of financial assets at FVOCI (Note 21)	(53,990,714)	(28,165,162)
Net loss (gain) on sale of:		
Investment properties and other properties acquired	(37,818,927)	41,078,207
Property and equipment	(884,007)	(1,345,292)
Unrealized trading loss (Note 7)	8,697,225	15,049,798
Changes in operating assets and liabilities:		
Decreases (increases) in the amounts of:		
Financial assets at fair value through profit or loss	1,759,783,531	710,550,364
Loans and receivables	7,793,141,592	(8,391,607,844)
Other assets	(683,684,800)	(163,319,758)
Increases (decreases) in the amounts of:		
Deposit liabilities	(6,611,534,623)	1,448,697,019
Financial liabilities at fair value through profit or loss	(144,191,702)	80,271,955
Accrued interest, taxes and other expenses	102,660,003	(147,963,074)
Manager's checks and outstanding acceptances	(415,470,488)	(277,437,620)
Other liabilities	(3,523,895,574)	(1,854,367,705)
Net cash used in operations	(1,109,481,206)	(8,384,807,401)
Retirement contribution (Note 20)	(96,746,639)	(97,188,161)
Income taxes paid	(255,592,890)	(332,371,793)
Net cash used in operating activities	(1,461,820,735)	(8,814,367,355)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI	(47,957,916,215)	(73,921,122,659)
Financial assets at amortized cost	(15,647,290,362)	(17,166,040,090)
Property and equipment (Note 10)	(158,179,231)	(78,929,400)
Software costs (Note 12)	(4,998,980)	(29,920,255)
Proceeds from:		
Sale and maturities of financial assets at FVOCI	51,318,361,962	73,373,194,538
Maturities of financial assets at amortized cost	18,685,426,760	14,287,925,931
Disposals of investment properties and other properties acquired (Notes 11 and 12)	847,376,370	1,213,408,742
Disposals of property and equipment (Note 10)	22,175,624	1,122,686
Net cash provided (used) in investing activities	7,104,955,928	(2,320,360,507)

(Forward)



	Years Ended December 31	
	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of bills payable	₱1,671,562,740,000	₱1,962,552,355,000
Settlement of bills payable	(1,677,552,560,000)	(1,961,697,275,000)
Availment of subordinated debt (Note 28)	1,300,000,000	—
Payment of lease liabilities (Note 24)	(252,279,499)	(241,524,070)
Net cash provided by (used in) financing activities	(4,942,099,499)	613,555,930
CUMULATIVE TRANSLATION ADJUSTMENT	2,328,958	2,243,340
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	703,364,652	(10,518,928,592)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	1,956,185,744	1,875,648,564
Due from Bangko Sentral ng Pilipinas (BSP)	8,084,429,325	10,043,340,662
Due from other banks	508,236,828	487,280,941
Interbank loans receivable	2,529,840,390	11,191,350,712
	13,078,692,287	23,597,620,879
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	2,183,044,358	1,956,185,744
Due from BSP	3,661,230,719	8,084,429,325
Due from other banks	6,637,781,862	508,236,828
Interbank loans receivable	1,300,000,000	2,529,840,390
	₱13,782,056,939	₱13,078,692,287
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱6,476,413,562	₱6,000,097,042
Interest paid	2,660,730,863	2,713,315,727

See accompanying Notes to Financial Statements.



MAYBANK PHILIPPINES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Maybank Philippines, Incorporated (the Bank) is a commercial bank incorporated in the Philippines on January 3, 1953 to provide banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. The Bank is 99.86% owned by Malayan Banking Berhad (the Parent Company), a public limited liability company incorporated and domiciled in Malaysia.

As of December 31, 2025 and 2024, the Bank operates through the following number of branches, branch-lite units and on-site and off-site automated teller machines (ATM):

	2025	2024
Branches	57	60
Branch-lite units	9	9
ATMs	77	69

On August 14, 2024, the Bank officially launched its Islamic banking operations after receiving approval from the Bangko Sentral ng Pilipinas (BSP) on July 4, 2024, becoming the first private commercial bank in the Philippines to offer Shariah-compliant financial services.

The Bank's principal and registered place of business is Maybank Corporate Centre, 7th Avenue corner 28th Street, Bonifacio Global City, Taguig City.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial instruments 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.

The financial statements of the Bank reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The functional currency of the RBU and FCDU is Philippine peso (PHP) and United States dollar (US\$), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP. The financial statements of these units are combined after eliminating inter-unit accounts.

Amounts are presented to the nearest PHP unless otherwise stated.

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Presentation of Financial Statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 18.



Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position 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 they have 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 insolvency or bankruptcy of the Bank or its counterparties.

Income and expenses are not offset in the statement 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 new standards effective in 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 Bank's financial position or performance.

- 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.

Foreign Currency Translation

Transactions and balances

The books of accounts of the RBU are maintained in PHP, those of the FCDU are maintained in US\$. For financial reporting purposes, the foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the end of the year (for assets and liabilities) and at the exchange rates prevailing at transaction dates (for income and expenses). Foreign exchange differences arising from foreign currency translation and revaluation of foreign currency-denominated assets and liabilities in the RBU, except for nonmonetary assets, are credited to or charged against operations 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 was determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU are translated into the Bank's presentation currency at the BAP closing rate prevailing at the reporting date, and its income and expenses are translated at the exchange rates prevailing at transaction dates. Exchange differences arising on translation are taken directly to other comprehensive income (OCI) under 'Cumulative translation adjustment' in the statement of comprehensive income.



Fair Value Measurement

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

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

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), due from BSP and other banks, interbank loans receivable (IBLR) and securities purchased under resale agreements (SPURA) with the BSP that are convertible to known amounts of cash with original maturities of three months or less from dates 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 wherein withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.



Date of recognition

Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Any change in fair value of financial asset is recognized in the statement of income for financial assets at FVTPL and in OCI for assets classified as FVOCI investments. Deposits, amounts due to banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

All financial assets and financial liabilities are recognized initially at fair value plus, in the case of financial assets and financial liabilities not at FVTPL, any directly attributable cost of acquisition or issue.

'Day 1' difference

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

Classification of financial instruments

The Bank classifies its financial assets in the following categories: financial assets at FVTPL, financial assets at amortized cost, financial assets classified under FVOCI. The classification and measurement of financial instruments is driven by the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flow. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. 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.

Financial liabilities are categorized into financial liabilities at FVTPL and other financial liabilities carried at amortized cost. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Solely payments of principal and interest (SPPI) test

The Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test or SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).



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

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

Business model assessment

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 and is based on observable factors such as:

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

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

The Bank's measurement categories are described below:

Financial assets at FVTPL

Debt instruments that do not meet the amortized cost or FVOCI criteria, or that meet the criteria, but the Bank has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Investments in equity instruments are classified as at FVTPL, unless the Bank designates an equity instrument that is not held for trading as at FVOCI at initial recognition.

The Bank's financial assets at FVTPL include derivative instruments and government securities where the fair value option at initial recognition is applied.

Financial assets at FVTPL are carried at fair value, with net changes in fair value recognized as 'Net trading gains' in the statement of income. Interest earned on these investments is reported as 'Interest income' in the statement of income.



Derivative instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These includes interest rate swaps, foreign exchange swaps and forward foreign exchange contract. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Bank’s derivative assets and derivatives are presented as ‘Financial assets at FVTPL’ and ‘Financial liabilities at FVTPL’, respectively, in the statement of financial position.

Financial assets at FVOCI - Debt investments

The Bank applies this category when both the following conditions are met:

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

Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in OCI under ‘Net change in unrealized gains (losses) on financial assets at FVOCI’. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. When the Bank holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

Financial assets at FVOCI - Equity investments

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

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in ‘Net unrealized gains (losses) on financial assets at FVOCI’ in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in ‘Net change in unrealized gains (losses) on financial assets at FVOCI’ is not reclassified to the statement of income, but is reclassified to ‘Surplus’.

Dividends earned on these investments in equity instruments are recognized in the statement of income when the Bank’s right to receive the dividends is established in accordance with PFRS 9, *Financial Instruments*, unless the dividends clearly represent recovery of a part of the cost of the



investment. Dividends earned are recognized in the statement of income, under 'Miscellaneous income'.

Financial assets at amortized cost

This accounting policy relates to 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements', 'Loans and receivables' and financial investments under 'Investment securities at amortized cost'.

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

- the asset is held within the Bank's business model of "Hold" and are managed to realize cash flows by collecting contractual payments over the life of the instrument.
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value. The amortization is included in 'Interest income' in the statement of income. Gains or losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The expected credit losses (ECL) are recognized in the statement of income under 'Provision for impairment and credit losses'. The effects of revaluation or foreign currency-denominated investments are recognized in the statement of income. Gains or losses arising from disposals of these instruments are included in 'Trading gains - net' in the statement of income.

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

Reclassification of financial instruments

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; (ii) from FVTPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristic of the instrument's contractual cash flows are SPPI; and, (iii) from amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVOCI at initial recognition is not permitted.

Financial liabilities

Financial liabilities are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Issued financial instruments or their components, which are not designated at FVTPL, are classified under 'Deposit liabilities', 'Bills payable', 'Subordinated debt' and 'Accrued interest, taxes and other expenses', 'Manager's checks' and 'Other liabilities' or other appropriate financial liability accounts where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial assets to the holder, or to satisfy the obligation other than by the



exchange of fixed amount of cash or another financial asset. The Bank capitalizes the costs incurred in connection with the issuance of debt securities (other than those designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Bank includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component at the date of issue.

Impairment of Financial Assets

The Bank recognizes allowance for ECL for all debt financial assets except those measured at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment.

Staging assessment

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk (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 SICR since initial recognition. The Bank recognizes lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

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

Definition of “default” and “cure”

The Bank considers default to have occurred when:

- the borrower is past due for more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing collateral, as applicable.

The Bank no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determination of SICR

The assessment of SICR is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The Bank performs quantitative and qualitative assessments to determine the SICR by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.



ECL measurement

The Bank's ECL models were internally developed and independently validated to compute for the potential credit loss of each financial asset in adherence to PFRS 9. Models were developed for each product line and mostly followed a "rated-approach" where each account were given internal risk grades based on their most recent financial condition for corporates or based on behavioral factors for retail such as repayment performance and delinquency history. These risk grades are then translated to probabilities of default based on statistical models that utilized historical default experiences from the various internal risk grades.

There are three main components to measure ECL:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including from any collateral. It is estimated based on the internal loss experience and taking into consideration all direct and indirect costs involved in the loss recovery on the accounts. The valuation policies for collateral assigned to its financial assets are dependent on its lending arrangements.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.

PFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Bank continued to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets.

Lifetime ECL is measured over the expected life of the asset. This is restricted to the maximum contractual life and takes into account expected prepayments, extensions, calls and similar options, except for certain revolving financial instruments such as credit cards and overdrafts. The expected life for these revolving facilities general refers to their behavioral life.

ECL measurement is based on an unbiased probability-weighted ECL determined by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Forward-looking adjustment models were likewise developed statistically for each product line. These models attempt to establish a link between internal default experience and a combination of several macroeconomic variables, resulting into additional ECL required on weak economic outlook and vice-versa. On the other hand, the determination of the economic outlook is determined by an economic research team and duly approved by management.

In view of uncertainties from emerging risks from current economic factors, overlays and post-model adjustments are applied to determine a sufficient overall level of ECL as of the end of the reporting period.

The Bank also includes off-balance sheet exposures in computing for ECL. ECL reserves on these exposures are booked in 'Allowance for credit losses on off-balance sheet exposures' under 'Other liabilities' in the statement of financial position.



ECL of financial assets at FVOCI

The ECL for financial assets measured at FVOCI does not reduce the carrying amount for these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equivalent to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated losses recognized in OCI is recycled to the profit or loss upon derecognition of the assets.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

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 cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset



When the 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 effective interest rate (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.

Financial liabilities

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

Exchange or modification of financial liabilities

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.



Repurchase and reverse repurchase agreements

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

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Bank is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position 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 method.

Financial liability

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

Offsetting Financial Instruments

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

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 insolvency or bankruptcy of the Bank and all of the counterparties.

Financial Guarantees and Undrawn Loan Commitments

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized in the financial statements at fair value under 'Other liabilities'. Subsequent to initial recognition, the Bank's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income in 'Service charges, fees and commissions', over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Provision for impairment and credit losses'. Any financial guarantee liability remaining is recognized in the statement of income in 'Service charges, fees and commissions', when the guarantee is discharged, cancelled or has expired.

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, is not recorded in the statement of financial position.



These contracts are within the scope of the ECL requirements under PFRS 9 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 loan commitments without outstanding drawn amount is recognized in 'Allowance for credit losses on off-balance sheet exposures' under 'Other liabilities'.

Property and Equipment

Depreciable properties, including condominium units, furniture, fixtures and equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the equipment if the recognition criteria are met, but excludes repairs and maintenance cost.

The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations 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 an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful life (EUL) of the assets.

The EUL of property and equipment are as follows:

Condominium units	50 years
Furniture, fixtures and equipment	5 to 7 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

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

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, an impairment loss is recognized in the statement of income (see accounting policy on Impairment of Nonfinancial Assets).

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.

Right-of-Use Assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) in the statement of financial position. Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the



lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over their EUL of 2 to 25 years or the lease term, whichever is shorter. Right-of-use assets are subject to impairment.

Investment Properties

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 an asset cannot be measured, in which case the investment property acquired is measured at the fair value of the asset given up. Foreclosed properties are classified under 'Investment properties' upon:

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

The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain (loss) on foreclosures' in the statement of income.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the year in which the costs are incurred.

Subsequent to initial recognition, land is carried at cost less any impairment in value while depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over 5 to 10 years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

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

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 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 development with a view to sale.

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 under 'Gain (loss) on sale of properties' in the year of retirement or disposal.



Chattel Properties Acquired

Chattel properties acquired included under 'Other assets' in the statement of financial position consist of chattel properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The difference between the fair value of the chattel properties acquired and the carrying value of the related receivables given up is recognized in 'Gain (loss) on foreclosures' in the statement of income.

The Bank applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the EUL of three years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

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

Software Costs

The Bank's software costs included under 'Other assets' in the statement of financial position pertain to costs associated with developing or maintaining computer software programs and are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Bank and will generate economic benefits beyond one year, are capitalized. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as capital improvements and added to the original cost of the software. Capitalized computer software costs are amortized on a straight-line basis over four years.

Impairment of Nonfinancial Assets

Property and equipment, Right-of-use assets, Investment properties, Chattel properties acquired and Software costs

At each reporting date, the Bank assesses whether there is any indication that its nonfinancial 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 recoverable amount. Recoverable amount is the greater of its fair value less costs to sell and 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 cash generating unit to which it belongs. Where the carrying amount of an asset 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. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each reporting 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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a 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.

Write-off of Assets

Assets are written off either partially or in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated allowance for ECL or impairment losses, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 'Miscellaneous income' under 'Recovery on written-off accounts'.

Equity

Capital stock

The Bank measures preferred stock and common stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Bank credits the difference between the proceeds and the par value to 'Additional paid-in capital'. 'Treasury shares' representing own equity instruments which are acquired are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the statement of income on the purchase and sale of the Bank's own equity instruments.

Surplus

'Surplus' represents accumulated earnings (losses) of the Bank less any dividends declared. 'Surplus reserve' includes reserves for the Bank's trust business and any appropriation from 'Surplus' that may be required by the application banking laws and regulations.

Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

Reserves recorded in equity

'Net unrealized losses on financial assets at FVOCI' comprises changes in fair value of financial assets at FVOCI. 'Remeasurement losses on retirement plan' pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets. 'Cumulative translation adjustment' is used to record exchange differences arising from the translation of the FCDU accounts to PHP.

Revenue Recognition

Revenue is recognized upon transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Bank has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions.

Interest income

Interest on interest-bearing financial assets at FVTPL are recognized based on contractual rate. Interest on financial instruments measured at amortized cost and debt instruments classified as FVOCI is recognized based on the effective interest method.

The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of



the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, 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.

Service charges, fees and commissions

The Bank earns fee income from a diverse range of service it provides to its customers. Income earned on the execution of a significant act is recognized as revenue when the act is completed, while income earned from the provision of services is recognized as revenue over the period in which the services are provided. Exclusive access fees related to the bancassurance agreement are recognized on a straight-line basis over the term of the provision of access.

Gain (loss) on sale of properties

Gains or losses arising from the disposal of property and equipment, investment properties and chattel properties acquired shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss in the period of the disposal.

Net trading gains

Net trading gains represent results arising from trading activities including all gains and losses from changes in fair value of financial assets and liabilities at FVTPL and gains and losses from disposal of financial assets at FVTPL and debt financial assets at FVOCI.

Gain (loss) on foreclosures

Gain or losses arising on foreclosures represent the difference between the fair value of the foreclosed real estate and chattel properties and the carrying value of the related receivables given up.

Other income

Credit-related income due to late payments and other loan-related fees are recognized in the period when service has been rendered.

Borrowing Costs

The Bank recognizes borrowing costs as 'Interest expense' in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Bank incurs in connection with deposit-taking activities and borrowing of funds.

Operating Expenses

Operating expenses are recognized when it is probable that decrease in future economic benefits related to decrease in an asset or increase in a liability has occurred and that the decrease in economic benefits can be measured reliably.

Retirement Cost

Defined benefit plan

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



The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. 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 plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- 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 the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

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 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 the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) 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. All remeasurements recognized in the OCI account 'Remeasurement gains (losses) on retirement plan' are not reclassified to another equity account in subsequent periods.

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

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.

Defined contribution plan

The Bank also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Compensation and fringe benefits' in the statement of income. Unpaid contributions, if any, are recorded as a liability.



Employee leave entitlement

Employee entitlement to annual leave is recognized as a liability when the employees render the services that increases their annual leave entitlement. The cost of accumulating annual leave are measured as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Leases

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.

Bank as lessee under lease contracts

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.

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 the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in 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.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of ATM sites (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) and some of its retail branches. It also applies the lease of low-value assets recognition exemption to leases of ATM sites that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term. Refer accounting policy on right-of-use assets.

Bank as lessor under lease contracts

In operating leases where the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Bank recognizes 'Rental income' under 'Miscellaneous income' in the statement of income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When 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 an 'Interest expense'.

Contingencies

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

Income Taxes

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

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

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

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

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

Deferred tax relating to items recognized directly in OCI is also recognized in OCI and not in the statement of income.



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 or if they are subject to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

Events after the Reporting Date

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

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.

Standards Issued but Not Yet Effective

Pronouncements of PFRS Accounting Standards issued but not yet effective are listed below. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS – 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*

Except for PFRS 18, adoption of the above pronouncements is not expected to have a significant impact on the Bank's financial statements.

PFRS 18 replaces PAS 1, *Presentation of Financial Statements*, and responds to investors' demand for better information about companies' financial performance. Entities are required to classify all income and expenses within the statement of income into one of five categories: (1) operating, (2) investing, (3) financing, (4) income taxes; and (5) discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as the Bank, that



have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

The requirements also include:

- Required totals and subtotals in the statement of profit or loss
- Disclosure of management-defined performance measures
- Guidance on aggregation and disaggregation

The Bank is currently assessing the impacts the standard will have on the primary financial statements and notes to the financial statements. The Bank considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with PFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

3. Significant Accounting Judgments and Estimates

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

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

Judgments

a) Contingencies

The Bank has suits and claims that remain unsettled. Management believes, based on the opinion of its legal counsel that the ultimate outcome of such cases and claims will not involve sums having a material effect on its financial statements. It is possible, however, that the future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

b) Fair value of financial assets

When the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in Note 5.



c) *Evaluation of business model in managing financial instruments*

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.

The business model criteria may be applied at the level of a portfolio of financial instruments (i.e. group of financial instruments that are managed together by the Bank) but not on an instrument-by-instrument basis (i.e. not based on intention for each individual financial instrument). This may include, for instance, a portfolio of investments that the Bank manages in order to collect contractual cash flows and another portfolio of investments that the Bank manages in order to trade to realize fair value changes. The Bank's business model is determined at portfolio level, which reflects how group of financial assets are managed together to achieve a particular business objective. Business model assessment is a matter of fact, rather than merely an assertion.

As of December 31, 2025 and 2024, the Bank's financial assets are classified as at FVTPL, FVOCI and amortized cost. There were no reclassifications made among the three categories during the year.

Estimates

a. *Credit losses on financial assets*

The measurement of credit losses requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been an SICR so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Bank's ECL models were internally developed and independently validated to compute for the potential credit loss of each loan account in adherence to PFRS 9 standards. Models were developed for each product line and mostly followed a "rated-approach" where each loan account were given internal risk grades based on their most recent financial condition for corporates or based on behavioral factors for retail such as repayment performance, delinquency history, among others. These risk grades are then translated to probability of defaults based on statistical models that utilized historical default experiences from the various internal risk grades.

Forward-looking adjustment (FLA) models were likewise developed statistically for each product line. These models attempt to establish a link between internal default experience and a combination of several macro-economic variables, resulting in adjustments to ECL required on weak economic outlook and vice-versa. On the other hand, the determination of the economic outlook is determined by an economic research team and duly approved by management.



Lastly, the other significant variable used in ECL – the LGD – was likewise estimated based on internal loss experience and taking into consideration all direct/indirect costs involved in the loss recovery on the accounts.

Refer to Note 4 for detailed discussions regarding the above mentioned significant judgments and estimates in relation to ECL estimation.

The gross carrying amounts of investment securities, and loans and receivables subject to ECL and related allowances for credit losses as of December 31, 2025 and 2024 are disclosed in Notes 8, and 9, respectively.

b. Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that taxable income will be available against which losses can be utilized. As of December 31, 2025 and 2024, the Bank incurred NOLCO of ₱3.7 billion and ₱2.9 billion, respectively, which can be applied against taxable income within three years from the year incurred. In view of the NOLCO position, significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. Key assumptions used in the forecast of future taxable income include growth in loan portfolio and deposits. Based on the forecast of future taxable income, management recognized deferred tax assets on certain temporary differences that it assessed as probable to be utilized in the foreseeable future.

The details of recognized and unrecognized deferred tax assets are disclosed in Note 25.

4. Financial Risk Management Objectives and Policies

General Risk Management Structure

Risk Management structure within the Bank consists of three lines of defense consisting of risk taking units, risk control units, and Internal Audit. The BOD, through the Risk Management Committee (RMC), performs overall supervision of risk management. Loan proposals and other transactions beyond the approval level of the management committees, particularly those involving directors, officers, stockholders and related interests (DOSRI), are elevated to the BOD, which is the highest authority within the Bank. The RMC is a Board-level Committee that is responsible for setting the Bank's corporate risk policy and strategies. It ensures the adequacy of the risk management infrastructure of the Bank to address the risks it faces in its banking activities including credit, market, operational, liquidity and other material risks.

Senior Management also plays an integral role in ensuring proper implementation of risk policies and strategies. The Bank has the following committees that manage the Bank's key risk areas:

- Credit Committee (CC) is responsible for the approval of credit facilities as well as policies, frameworks and methodologies pertaining to credit risk.
- Asset and Liability Management Committee (ALCO) is responsible for recommending strategies, policies and frameworks to identify, measure, control, monitor and manage market and liquidity risks, as well as balance sheet and capital management to the RMC/Board for approval.
- Management Committee is responsible for directing and reviewing the Bank's overall operations to achieve its objectives and targets.



Risk Management is functionally independent of risk-taking units within the Bank. It is composed of Regional Group Credit Management (RGCM), Credit Risk Management (CRM), Market Risk Management (MRM), Non-Financial Risk (NFR), Enterprise Risk Management (ERM), Credit Review, Office of the Chief Information and Security Officer (OCISO) Corporate Remedial, Risk Analytics, and Sustainability Management. It is responsible for the development of measures to ensure that the risks inherent in the Bank's activities are properly identified, measured, controlled and reported.

Risk Management has the following general objectives:

- To promote risk management culture and philosophy of risk awareness
- To assist risk-taking business and operating units in understanding and measuring risk/return profiles
- To develop risk and control infrastructure
- To develop, disseminate, and maintain formalized risk policies, frameworks, methodologies and tools
- To provide effective means of differentiating the degree of risk in the various business portfolios of the Bank

Internal Audit provides independent assurance of the effectiveness of the risk management approach. The Audit Committee, which is a Board-level committee, is responsible for the overall supervision of the audit function within the organization.

Risk Measurement and Reporting

To measure risk of default for corporate and commercial loans, the Bank makes use of the International Credit Risk Rating System (ICRRS) which consists of 25 risk grades that are mapped to external ratings, as well as risk classification according to BSP guidelines. The ICRRS is used as a tool for decision making as well as in determining appropriate pricing for loan accounts. The key risk indicators measure the Bank's credit risk position against targets, historical performance or industry average in selected areas as of a given period.

In terms of measuring the Bank's ability to withstand the impact of stress conditions, stress testing methodology is used. Through stress testing, the impact of exceptional events on the Bank's asset quality, profitability and capital adequacy is measured.

The stress testing framework incorporates both sensitivity analysis and scenario-based stress tests, covering macroeconomic, sectoral, and borrower-specific risk factors. Results are used to identify vulnerabilities in the loan portfolio, assess capital resilience, and support proactive risk mitigation measures. Stress testing outcomes also inform strategic planning, capital management, and risk appetite setting, and are reported regularly to senior management and the RMC/Board to support effective risk oversight.

In terms of reporting, the Bank prepares regular loan portfolio reports covering areas such as business growth, asset quality, concentration of exposures and compliance to applicable regulatory and internal guidelines. These reports are submitted to the CC, RMC, BOD and other end-users.



Risk Mitigation

As part of its risk management, the Bank uses derivatives and other treasury products to manage exposures resulting from changes in interest rates and fluctuations in foreign exchange levels.

Where appropriate, the Bank requires a second way out in the form of eligible collaterals or guarantee/surety to mitigate credit risk.

Credit Risk

Credit risk comprises bulk of the Bank's risk capital. Credit risk is managed through a two-pronged approach: the credit risk management and credit portfolio management.

CRM undertakes the improvement and implementation of Group risk frameworks, tools, and methodologies for the identification, measurement, monitoring, control and pricing of credit risk in accordance to the Bank's risk appetite and lending direction and strategies. Methodologies are implemented in coordination with the Parent Company to ensure consistency of risk management approach across the Maybank Group. Where applicable, methodologies and tools are adopted from the Parent Company and customized to the local operating environment.

CRM is responsible for setting concentration limits and monitoring exposures against these limits.

Part of the Bank's Credit Risk Management processes are to develop and implement various mechanisms to support business generation, capital optimization, portfolio management, and Basel III implementation. It ensures that credit approval structures follow the "four eyes policy" for appropriate check and balance. The Credit Review Unit undertakes the post-approval review of selected loan accounts.

Collateral and other credit enhancements

There are various collaterals and securities that are acceptable to the Bank. In evaluating acceptability of collateral, three factors are considered: control, disposability and margin.

The Account Officer is primarily responsible in ensuring the acceptability of collaterals/security obtained to secure the loan based on established minimum acceptance criteria and maximum margin of financing.

The Account Officer is responsible in ensuring that the collaterals are duly and regularly inspected and appraised, adequately insured where necessary, and payment of applicable taxes are updated.

The Account Officer also ensures that the approved margin of financing is maintained throughout the life of the loan.

Loans or portions thereof that are covered by collateral/security including but not limited to the following are considered secured:

- Registered First Real Estate Mortgage over eligible real estate properties with road right of way
- Peso or US Dollar-denominated deposits that are maintained with the Bank
- Government securities
- Motor vehicles
- Machinery and equipment

Direct and indirect borrowings of the Philippine government is treated as non-risk and considered as secured.



Borrowings secured by guarantees/collateral issued by the Parent Company and Maybank branches and subsidiaries are considered secured.

Pending disposal of acquired assets, the Bank arranges for the properties to be leased on a short-term basis by interested parties.

Credit risk exposures

The table below shows the Bank's maximum exposure to credit risk on loans and receivable as of December 31, 2025 and 2024:

	December 31, 2025			
	Maximum Exposure			
	Carrying amount	Fair value of collateral	Financial effect of collateral	Net exposure
Loans and receivables				
Loans				
Corporate	₱2,641,600,503	₱109,442,849	₱94,361,211	₱2,547,239,292
Commercial	4,102,678,455	9,018,074,443	3,453,223,815	649,454,640
Consumer				
Auto loans	27,400,737,865	51,867,789,312	25,471,481,601	1,930,641,164
Housing loans	16,414,967,195	27,603,381,919	16,342,431,786	72,535,409
Others	937,328,167	14,150,000	9,383,178	927,944,989
	51,497,312,185	88,612,838,523	45,370,881,591	6,127,815,495
Accounts receivable				
Corporate	689,440,807	—	—	689,440,807
Individual	2,334,456	—	—	2,334,456
	691,775,263	—	—	691,775,263
Sales contract receivable				
Corporate	508,739,075	849,558,197	508,739,075	—
Individual	35,916,102	111,025,900	35,916,102	—
	544,655,177	960,584,097	544,655,177	—
RCOCI	106,811	—	—	106,811
	₱52,733,849,436	₱89,573,422,620	₱45,915,536,768	₱6,819,697,569

	December 31, 2024			
	Maximum Exposure			
	Carrying amount	Fair value of collateral	Financial effect of collateral	Net exposure
Loans and receivables				
Loans				
Corporate	₱5,403,648,898	₱155,172,662	₱100,125,792	₱5,303,523,106
Commercial	4,528,531,943	8,903,280,136	3,845,086,646	683,445,297
Consumer				
Auto loans	31,649,170,197	53,264,090,232	27,980,085,220	3,669,084,977
Housing loans	17,474,123,771	28,300,020,436	17,182,111,806	292,011,965
Others	1,418,370,289	522,812,118	477,879,736	940,490,554
	60,473,845,098	91,145,375,584	49,585,289,200	10,888,555,899
Accounts receivable				
Corporate	1,050,852,580	—	—	1,050,852,580
Individual	1,340,018	—	—	1,340,018
	1,052,192,598	—	—	1,052,192,598
Sales contract receivable				
Corporate	267,694,074	537,140,000	267,694,074	—
Individual	26,684,304	88,376,069	26,684,304	—
	294,378,378	625,516,069	294,378,378	—
RCOCI	114,664	—	—	114,664
	₱61,820,530,738	₱91,770,891,653	₱49,879,667,578	₱11,940,863,161

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



Credit risk management has set concentration limits according to various categories such as individual/group borrower, banks, countries, collateral, economic sectors, and product types to ensure optimal portfolio diversification.

Risk Concentration

Concentration of credit arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location. Concentration limits are set by CRM, endorsed by RMC, and approved by the BOD. These include limits by business segments, credit facility/portfolio, collateral/security, economic sector, loan size and obligor type. These limits are established to ensure diversification, capital optimization and appropriate management of concentration risk.

The tables below show the distribution of maximum credit exposure by industry sector of financial assets and off-balance sheet items before taking into account the fair value of the loan collateral or other credit enhancements (amounts in thousands):

	December 31, 2025		December 31, 2024	
	Gross Amount	%	Gross Amount	%
Loans and Receivables				
Construction and real estate	₱18,424,262	33.89	₱21,642,933	34.50
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	13,807,897	25.40	14,909,892	23.77
Transportation, storage and communication	6,142,227	11.30	6,250,282	9.96
Government	4,582,255	8.43	5,138,316	8.19
Education	1,548,397	2.85	1,699,334	2.71
Power, electricity and water distribution	1,340,070	2.46	2,515,869	4.01
Financial intermediaries	1,230,291	2.26	1,191,175	1.90
Trading and manufacturing	1,202,739	2.21	1,424,118	2.27
Agriculture	1,193,965	2.20	1,537,593	2.45
Others	4,899,672	9.01	6,424,603	10.24
	54,371,775	100.00	62,734,115	100.00
Loans and advances to banks*				
Financial intermediaries	7,937,782	68.43	3,038,077	27.31
Government	3,661,231	31.57	8,084,429	72.69
	11,599,013	100.00	11,122,506	100.00
Trading and financial investment securities**				
Government	21,235,170	95.14	29,794,544	93.71
Financial intermediaries	587,919	2.63	56,257	0.18
Construction and real estate	28,078	0.13	1,082,170	3.40
Activities of holding companies	468,972	2.10	862,634	2.71
	22,320,139	100.00	31,795,605	100.00
Others***				
Financial intermediaries	511,215	16.15	9,360	0.26
Trading and manufacturing	481,249	15.21	558,305	15.44
Agriculture	131,099	4.14	2,967	0.08
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	335,170	10.59	1,297,871	35.90
Construction and real estate	218,058	6.89	940,427	26.01
Power, electricity and water distribution	668,417	21.12	—	—
Others	819,551	25.90	806,584	22.31
	3,164,759	100.00	3,615,514	100.00
	₱91,455,686		₱109,267,740	

* Consists of Due from BSP, Due from other banks and Interbank loans receivables

** Consists of Financial assets at FVTPL, Financial assets at FVOCI and Investment securities at amortized cost and excludes equity securities

*** Consists of Contingent liabilities relating to outstanding letters of credit



Credit quality per class of financial assets

For investment securities and depository accounts, the Bank relies on acceptable third-party issuer or issue ratings, international or local, as applicable. Any exposure, whether direct or indirect, to the sovereign entity – Republic of the Philippines (ROP) and BSP, is considered non-risk or high grade. Issuances by ROP and BSP are considered as high grade since the chance of default is virtually nil.

Private entities, such as financial institutions or corporations, issuing debt securities, with risk rating similar to ROP/BSP are likewise classified as high grade. Such entities are generally held as top-tier. Companies with third party ratings lower than ROP are classified as standard grade. These are companies that exhibit moderate credit risk with acceptable capacity to meet its financial commitments.

Companies without third party ratings are classified as unrated or adopt the Bank's internal risk rating.

For loans and receivables, the following are subject to risk rating and behavioral scoring:

- Corporate and commercial loans (except those fully secured by hold-out on deposits)
- Contract-to-sell financing (risk rating on the developer)
- Consumer loans (except truck loans)

Accounts which are not subjected to risk rating, such as consumer loans (i.e. truck loans) are considered unrated.

Loan Grades

- Performing Grade is from Grade 1 to 22 – Grade 1 (i.e. lowest probability of default) is the best grade while Grade 22 (i.e. highest probability of default) is the worst grade.
 - a.) High grade (accounts with risk grade of 1 to 10)
Accounts falling within this classification have good to highly exceptional capacity to meet its financial commitments with very low to low credit risk.
 - b.) Standard grade (accounts with risk grade of 11 to 15)
Accounts falling within this classification have fairly good to fairly acceptable capacity to meet their financial commitments with moderate credit risk.
 - c.) Substandard grade (accounts with risk grade of 16 to 22)
Accounts under this category exhibit high credit or default risk with impairment characteristics that are neither classified under 'past due but not impaired' nor 'individually impaired'.

Start-up companies, regardless of the strength of their risk rating have default grade cap of 19.



- Non-Performing Grade is from Grade 23 to 25 which is under past due or impaired.
 - a.) Grade 22 is a non-performing grade assigned to borrowers which have undergone restructuring and rescheduling and are classified as Substandard accounts.
 - b.) Grade 23 is a non-performing grade assigned to borrowers classified as Substandard accounts. These are loans and other credit accommodations that have well-defined weakness/(es), that may jeopardize repayment/ liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower. Basic characteristics include the following:
 - Weak financial condition and results of operation that leads to the borrower's inability to generate sufficient cash flow for debt servicing, except for start-up firms which shall be evaluated on a case-to-case basis;
 - Past due secured loans and other credit accommodations where properties offered as collateral have been found with defects as to ownership or with other adverse information.
 - Breach of any key financial covenants/agreements that will adversely affect the capacity to pay-off the borrower; or
 - Classified "Especially Mentioned" as of the last credit review without adequate corrective action
 - Loans past due for more than 90 days.
 - c.) Grade 24 is a non-performing grade assigned to borrowers classified as Doubtful accounts. These are loans and credit accommodations that exhibit severe weaknesses than those classified as "Substandard" whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors which may strengthen the assets.
 - d.) Grade 25 is a non-performing grade assigned to borrowers classified as Loss. These are loans or portions thereof which are considered uncollectible or worthless.

The financial assets are also classified into stages based on changes in credit risk, as described below:

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

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

Stage 3 – those that are considered in default or demonstrate objective evidence of impairment as of reporting date.



The credit quality of the Bank's receivables from customers as of December 31, 2025 follow (in thousands):

	Stage 1	Stage 2	Stage 3	Total
Auto				
Unrated	₱25,608,731	₱1,852,263	₱1,033,152	₱28,494,146
Standard grade	6,674	—	—	6,674
Auto Total	25,615,405	1,852,263	1,033,152	28,500,820
Commercial				
Unrated	3,840,934	98,947	—	3,939,881
Standard grade	3,527	—	—	3,527
Non-performing grade	—	—	207,292	207,292
Commercial Total	3,844,461	98,947	207,292	4,150,700
Corporate				
Unrated	37,126	—	1,124	38,250
High grade	1,055,753	—	—	1,055,753
Standard grade	1,389,457	—	—	1,389,457
Substandard grade	—	131,543	—	131,543
Non-performing grade	—	—	1,607,786	1,607,786
Corporate Total	2,482,336	131,543	1,608,910	4,222,789
Housing				
Unrated	15,610,031	531,560	11,562	16,153,153
Non-performing grade	—	—	310,563	310,563
Housing Total	15,610,031	531,560	322,125	16,463,716
Other				
Unrated	974,384	32,610	26,757	1,033,751
Other Total	974,384	32,610	26,757	1,033,751
Grand Total	₱48,526,617	₱2,646,923	₱3,198,236	₱54,371,776

The credit quality of the Bank's financial assets other than receivables from customers as of December 31, 2025 follows (in thousands):

	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
High Grade	₱3,661,231	₱—	₱—	₱3,661,231
Due from other banks				
High Grade	₱6,637,782	₱—	₱—	₱6,637,782
Interbank loans receivable				
High Grade	₱1,300,000	₱—	₱—	₱1,300,000
Financial instruments at FVOCI				
High Grade	₱10,219,857	₱468,580	₱—	₱10,688,437
Investment Securities at amortized cost				
High Grade	₱11,003,671	₱—	₱—	₱11,003,671
Other financial assets				
Unrated	₱1,375,104	₱—	₱—	₱1,375,104

*Others financial assets include Sales Contract Receivable, Accounts Receivable and RCOCI



The credit quality of the Bank's receivables from customers as of December 31, 2024 follow (in thousands):

	Stage 1	Stage 2	Stage 3	Total
Auto				
Unrated	₱29,060,154	₱1,963,640	₱849,235	₱31,873,029
Standard grade	339,750	—	—	339,750
Auto Total	29,399,904	1,963,640	849,235	32,212,779
Commercial				
Unrated	3,766,242	112,772	138,788	4,017,802
Standard grade	496,111	—	—	496,111
Non-performing grade	—	—	98,708	98,708
Commercial Total	4,262,353	112,772	237,496	4,612,621
Corporate				
Unrated	66,611	1,125	316	68,052
High grade	1,420,855	—	—	1,420,855
Standard grade	3,653,053	—	—	3,653,053
Substandard grade	—	304,574	—	304,574
Non-performing grade	—	—	1,265,115	1,265,115
Corporate Total	5,140,519	305,699	1,265,431	6,711,649
Housing				
Unrated	16,769,885	310,914	253,408	17,334,207
Non-performing grade	—	—	350,871	350,871
Housing Total	16,769,885	310,914	604,279	17,685,078
Other				
Unrated	1,470,423	19,524	22,041	1,511,988
Other Total	1,470,423	19,524	22,041	1,511,988
Grand Total	₱57,043,084	₱2,712,549	₱2,978,482	₱62,734,115

The credit quality of the Bank's financial assets other than loans and receivables from customers as of December 31, 2024 follow (in thousands):

	Stage 1	Stage 2	Stage 3	Total
Due from BSP				
High Grade	₱8,084,429	₱—	₱—	₱8,084,429
Due from other banks				
High Grade	₱508,237	₱—	₱—	₱508,237
Interbank loans receivable				
High Grade	₱2,529,840	₱—	₱—	₱2,529,840
Financial instruments at FVOCI				
High Grade	₱14,322,876	₱—	₱—	₱14,322,876
Investment Securities at amortized cost				
High Grade	₱14,137,000	₱—	₱—	₱14,137,000
Other financial assets				
Unrated	₱1,346,899	₱—	₱—	₱1,346,899

*Others financial assets include Sales Contract Receivable, Accounts Receivable and RCOCI

As of December 31, 2025 and 2024, allowance on individually impaired receivables of the Bank amounted to ₱1.3 billion and ₱1.2 billion, respectively.



Impairment assessment

The Bank uses a provision matrix to calculate ECL for receivables from retail customers. The provision matrix is initially based on the Bank's historical observed default rates. The Bank calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate) is expected to deteriorate over the next year which can lead to an increased number of defaults in the financial sector, the historical default rates will be adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Market Risk

The Bank recognizes market risk as the adverse impact on earnings or capital, either immediate or over time, arising from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices. Market risk arises through the Bank's trading and balance sheet activities. The primary categories of market risk for the Bank are:

- i. Interest rate risk: arising from changes in prevailing interest rates and implied volatilities on interest rate options; and
- ii. Foreign exchange (FX) rate risk: arising from changes in exchange rates or risk arising from adverse movements/mismatches in currencies.

The RMC is the overall risk oversight body. Management of market, interest rate risk in the banking book and liquidity risks is delegated to the ALCO. ALCO is responsible for the establishment of appropriate risk policies and limits, duly approved by the RMC; and execution of both strategic and tactical actions to maintain the exposure within the set tolerances and meet the risk and reward objectives of the Bank.

The Bank established the MRM to assist the BOD, RMC, ALCO in monitoring and managing the Bank's market risk exposures independently from the risk taking units. MRM also acts as business partners with Global Markets in the daily monitoring of its positions against approved risk measures. MRM's roles include the following:

- Ensure that the market, IRRBB and liquidity risk management objectives of the Bank are achieved through the development, implementation, maintenance and enhancement of a comprehensive risk management process that comprises of qualitative and quantitative methodologies to identify, measure, control and monitor, among others, the following:
 - Market risks, which covers the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities
 - IRRBB, which covers the risk of loss in earnings or in economic value on banking book exposures arising from movements in the interest rates
 - Liquidity risks, which covers liquidity crisis, funding structure, fund raising policies and strategies, diversification of funding sources, gap analysis and management
- Provide support functions to the ALCO to facilitate informed strategic management decision making
- Provide consultative services and support functions to all relevant units within the Bank on matters pertaining to market and liquidity risks management and treasury operations
- Participate, in collaboration with other risk management units within the Bank on cross border risk management issues, to identify and mitigate various risks inherent in new Global Markets and core banking products prior to product introduction
- Provide revaluation prices of relevant Global Markets products transacted by various business units within the Bank
- Perform regular independent supervision of Global Markets operations



A Market and Liquidity Risk Management (MLRM) Framework is in place to institutionalize vigilance and awareness of market and liquidity risk. MLRM provides the foundation for the optimization of risk returns, consistent management of market and liquidity risk and governance and risk oversight. All market risk policies being issued are reviewed at least annually to ensure compliance with regulatory requirements and up to par with international best practices.

The Bank's traded market risk exposures are primarily from proprietary trading, client servicing and market making. Various risk measurement techniques are used by the Bank to monitor and manage market risk and IRRBB, such as Price-Value-of-a-Basis-Point (PV01), FX net open position (NOP), Value-at-Risk (VaR), Stop Loss, Earnings-at-Risk (EaR) and Impact on Economic Value (IEV). In addition, a variety of stress testing techniques are performed to complement the reporting to Management.

Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through thresholds and procedures set by the Management to protect total net interest income from changes in market interest rates.

Trading: PV01

PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable for the trading portfolio. Thresholds are set annually to re-assess the Bank's risk appetite and strategy. The PV01 is computed and reported daily to Global Markets and monthly to ALCO.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report - By Portfolio as at December 31, 2025 and 2024 (amounts in thousands).

Desk	Rates Trading		Interest Rate Derivatives	
	2025	2024	2025	2024
PHP	(P153.53)	(P9.91)	(P17.28)	P16.10
USD	0.00	0.02	(9.82)	15.39
Net	(P153.53)	(P9.89)	(P27.10)	P31.49

Non-Trading: PV01

PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable to the FVOCI portfolio.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report of GM's Rates Banking Book Investments as at December 31, 2025 and 2024 (amounts in thousands).

Desk	Rates Banking	
	2025	2024
PHP	(P3,014)	(P3,395)
USD	(1,231)	(1,352)
Net	(P4,245)	(P4,747)



Interest Rate Risk in Banking Book: EaR and IEV

IRRBB is defined as a Pillar 2 risk under the BSP Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) guidelines. IRRBB is one of the Pillar 2 risks that is quantifiable and reliably measured and quantified, with acceptable risk identification and measurement methodologies that have been reasonably tested and accepted within the industry.

The Bank emphasizes the importance of managing interest rate risk in the banking book as most of the balance sheet items of the Bank generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Bank's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank's overall capital adequacy.

All policies, procedures and limits related to IRRBB are presented and deliberated in ALCO prior endorsement to RMC for final resolution. Balance sheet management is the prime responsibility of ALCO and key strategies on how to optimize assets and liabilities are discussed every meeting.

As a measurement tool, the Bank utilizes EaR to estimate the sensitivity of the Bank's Net Interest Income (NII) due to a 100 basis points (bps) change in the underlying interest rates over a period of one year.

Economic Value of Equity ("EVE"), on the other hand, measures the sensitivity of economic value of all Non Trading Book assets, liabilities and interest rate related off-balance sheet products to interest rate movements over a longer horizon. Sensitivity of EVE seeks to evaluate the change in EVE due to changes in interest rate under an interest rate stress or shock scenario (based on 100 bps change in the market yield curve as well as the maximum of the worst impact on EVE across 6 standardized interest rate shock scenarios).

EaR and EVE are calculated based on the repricing gaps, or the difference between the amounts of rate sensitive assets and the amounts of rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, which may restrain the growth of its net income or result in a decline in net interest income. To reflect sensitivity of certain assets and liabilities, analysis of balances and its movement is done via application of behavioral assumptions to repricing cash flow.

The Bank monitors the exposure of financial assets and financial liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Bank's interest-related income and expenses. The EaR and EVE is computed and reported monthly to ALCO and bi-monthly to RMC. Additionally, the Bank uses sensitivity analysis for stress testing of IRRBB. Parallel shock of 300 and 400 basis points are simulated and reported for perspective.



The Bank employed additional tools to aid in the management of IRRBB via the Risk Confidence (“RCO”) system. There are 7 scenarios for EVE which includes 1 baseline scenario and 6 shock scenarios, and 3 scenarios for NII which includes 1 baseline scenario and 2 shock scenarios. The simulation considers assumptions on loan prepayment, deposits early redemption and CASA deposit behavior.

The following tables provide additional information on the statistical impact on net income and equity as of December 31, 2025 and 2024 (amounts in thousands):

Currency	December 31, 2025			
	PHP		US\$	
Changes in interest rates (in basis points)	+100	-100	+100	-100
Change in net income	₱4,649	(₱4,649)	₱93,582	(₱93,582)
Change in equity	55,866	(55,866)	34,150	(34,150)

Currency	December 31, 2024			
	PHP		US\$	
Changes in interest rates (in basis points)	+100	-100	+100	-100
Change in net income	(₱54,793)	₱54,793	(₱132,053)	₱132,053
Change in equity	(253,356)	253,356	(47,584)	47,584

The impact on the Bank’s equity represents impact on OCI and excludes the impact on transactions affecting the statements of income.

The sensitivity in the statements of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at the reporting date. The sensitivity of equity is calculated by revaluing fixed-rate FVOCI investments at reporting date for the effects of the assumed changes in interest rates. The impact on the equity as stated above already excludes the impact on transactions affecting the statements of income.

Foreign exchange rate risk

Foreign exchange (FX) rate risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in a currency. Where the value of asset/inflow exposures in one currency is not equal to the value of liability/outflow exposures in that currency, it is described as an open position. It may be short (liabilities exceed assets) or long (assets exceed liabilities).

The Bank controls its FX exposures by transacting in permissible currencies. Management of FX risk is done via monitoring of FX NOP and PV01 for those FX positions in the trading book. If the level reaches the trigger point, action is required to bring back the level to within the normal range. FX risk is reviewed together with other risks to determine the Bank’s overall risk profile.

Foreign currency-denominated liabilities generally consist of: (a) foreign currency-denominated deposits in the Bank’s FCDU, (b) accounts maintained in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, and (c) foreign currency-denominated borrowings appearing in the regular books of the Bank.



Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books.

The Bank has significant exposure to US\$ monetary assets and liabilities as of December 31, 2025 and 2024.

The tables below summarize the reasonable possible movement of the currency rate against each significant foreign currency with all other variables held constant on the statements of income (US\$ against PHP) (amounts in thousands).

Bankwide FX Position

	December 31, 2025	
Changes in foreign currency exchange rate	+5.0%	-5.0%
Effect on profit before tax (in thousands)	₱21,392	(₱21,392)
	December 31, 2024	
Changes in foreign currency exchange rate	+5.0%	-5.0%
Effect on profit before tax (in thousands)	(₱168)	₱168

Trading FX USD Position

	December 31, 2025		December 31, 2024	
	Spot	Forwards	Spot	Forwards
PV01	(7)	161	30	(6)

Liquidity Risk

Liquidity risk management overview

Liquidity risk is the risk that the Bank's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations and may result in the Bank incurring unacceptable losses. The Bank's obligations and the funding sources used to meet them, depend significantly on its business mix, its balance sheet structure and the cash flow profile of its on- and off-balance sheet obligations.

The Non-Trading Book Policy, which includes policies on liquidity risk management, is reviewed regularly and tabled to ALCO and RMC. The Bank's liquidity risk position is actively discussed and managed at the ALCO and RMC in line with the approved guidelines and policies.

The Bank, in line with the Group, has implemented leading practices as a foundation to manage and measure its liquidity risk exposure. The Bank uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals/liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and thresholds.



Management of liquidity risk

For day to day liquidity management, Global Markets will ensure sufficient funding to meet the Bank's intraday payment and settlement obligations on a timely basis. In addition, the process of managing liquidity risk includes:

- Maintaining an adequate portfolio that can easily be liquidated as protection against any unforeseen interruption in cashflows;
- Maintaining a stable funding to support illiquid assets and business activities;
- Daily and monthly monitoring of liquidity ratios against internal and regulatory requirements;
- Monthly monitoring of gaps arising from mismatched maturity of assets and liabilities;
- Monthly monitoring and managing of concentration ratios of deposits;
- Conducting monthly liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Contingency Funding Plan (CFP) testing to examine the effectiveness and robustness of the plans.

Liquidity coverage ratio and Net stable funding ratio The Bank monitors its LCR and NSFR on a daily basis; joint management and monitoring are carried out by Global Markets and Group Finance. As of December 31, 2024 and 2023, bank-wide LCR levels as reported to the BSP stood at 141.38% and 120.03%, respectively and the bank-wide NSFR levels as reported to the BSP stood at 119.07% and 111.38%, respectively.

Stress testing and Contingency Funding Plan

The Bank uses stress testing and scenario analysis to evaluate the impact of sudden stress events on liquidity position. Scenarios are based on hypothetical events that include bank specific (idiosyncratic) crisis, general market crisis and a combined scenario that captures the simultaneous occurrence of both idiosyncratic and market-wide crises. The stress test result provides an insight of the Bank's funding requirements during different levels of stress environments and is closely linked to the Bank's CFP, which provides a systemic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

The Bank also conducts CFP tests to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the preparedness of key senior management and their respective alternate in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.



Analysis of financial assets and financial liabilities by remaining contractual maturities

The tables below show the maturity profile of the Bank's financial assets and financial liabilities based on contractual undiscounted cash flows (amount in thousands).

	December 31, 2025					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
Financial Assets						
Cash and other cash items	₱2,183,044	₱—	₱—	₱—	₱—	₱2,183,044
Due from BSP	3,661,231	—	—	—	—	3,661,231
Due from other banks	6,637,782	—	—	—	—	6,637,782
Interbank loans receivable	—	1,300,000	—	—	—	1,300,000
Financial assets at FVTPL:						
Government securities	302,987	409,499	—	—	—	712,486
Derivative assets	25,454	—	8,663	—	6,725	40,842
Financial assets at FVOCI:						
Debt instruments						
Government	3,660,960	265,561	—	307,321	7,775,133	12,008,975
Private	—	—	—	—	1,206,114	1,206,114
Equity						
Quoted	—	—	—	—	8,761	8,761
Unquoted	—	—	—	—	23,432	23,432
Financial assets at amortized cost:						
Government	1,770,034	4,496,293	27,000	232,900	4,797,418	11,323,645
Private	471,901	147,476	—	—	—	619,377
Loans and receivables:						
Receivables from:						
Corporate	1,598,382	341,566	40,235	336,203	2,752,878	5,069,264
Commercial	1,123,012	1,500,055	330,859	67,228	1,613,776	4,634,930
Consumer:						
Auto loans	224,090	92,434	221,239	705,674	32,604,988	33,848,425
Housing loans	19,618	2,767	8,317	32,216	26,844,440	26,907,358
Others	843,554	3,446	9,251	37,063	181,738	1,075,052
	22,522,049	8,559,097	645,564	1,718,605	77,815,403	111,260,718
Sales contract receivable:						
Corporate	260,000	—	—	2,223	325,483	587,706
Individual	989	—	1,980	683	44,219	47,871
	260,989	—	1,980	2,906	369,702	635,577
Accounts receivable:						
Corporate	382,114	2,213	2,194	6,974	420,990	814,485
Individual	1,019	1,294	526	8	76	2,923
	383,133	3,507	2,720	6,982	421,066	817,408
RCOCI	107	—	—	—	—	107
	₱23,166,278	₱8,562,604	₱650,264	₱1,728,493	₱78,606,171	₱112,713,810

	December 31, 2025					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
Financial Liabilities						
Deposit liabilities:						
Demand	₱24,700,279	₱—	₱—	₱—	₱—	₱24,700,279
Savings	25,367,140	237,314	68,496	1,842	—	25,674,792
Time	7,748,569	6,085,987	1,757,089	526,093	3,397,575	19,515,313
	57,815,988	6,323,301	1,825,585	527,935	3,397,575	69,890,384
Derivative liabilities						
Forward contracts	19,217	—	—	—	—	19,217
Bills payable	8,821,476	—	—	—	—	8,821,476
Manager's checks	293,789	—	—	—	—	293,789
Accounts payable	351,935	70,901	73,637	47,429	222,890	766,792
Subordinated debt	—	17,921	26,737	44,658	2,103,836	2,193,152
Due to Treasurer of the Philippines	—	—	—	—	64,801	64,801
	9,486,417	88,822	100,374	92,087	2,391,527	12,159,227
Contingent liabilities	2,106,466	852,392	168,823	24,806	784,174	3,936,661
	₱69,408,871	₱7,264,515	₱2,094,782	₱644,828	₱6,573,276	₱85,986,272



	December 31, 2024					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
Financial Assets						
Cash and other cash items	₱1,956,186	₱—	₱—	₱—	₱—	₱1,956,186
Due from BSP	8,084,429	—	—	—	—	8,084,429
Due from other banks	508,237	—	—	—	—	508,237
Interbank loans receivable	3,260,683	—	—	—	—	3,260,683
Financial assets at FVTPL:						
Government securities	1,446,946	1,001,036	56,278	—	—	2,504,260
Derivative assets	1,533	3,456	—	—	12,557	17,546
Financial assets at FVOCI:						
Debt instruments						
Government	6,120,985	179,691	118,088	5,059,610	3,443,173	14,921,547
Private	703	—	—	356,971	511,991	869,665
Equity						
Quoted	—	—	—	—	8,761	8,761
Unquoted	—	—	—	—	23,432	23,432
Financial assets at amortized cost:						
Government	2,123,412	2,563,057	185,409	512,633	9,532,142	14,916,653
Private	1,660	2,344	104,636	60,699	22,243	191,582
Loans and receivables:						
Receivables from:						
Corporate	2,445,880	491,699	730,801	849,451	3,132,968	7,650,799
Commercial	1,892,073	1,477,161	585,123	275,830	1,580,680	5,810,867
Consumer:						
Auto loans	559,056	1,519,042	1,430,795	3,160,775	39,518,508	46,188,176
Housing loans	1,395	356,061	354,901	734,419	34,425,459	35,872,235
Others	848,299	14,014	17,581	53,036	250,902	1,183,832
	29,251,477	7,607,561	3,583,612	11,063,424	92,462,816	143,968,890
Sales contract receivable:						
Corporate	260,000	—	—	—	7,982	267,982
Individual	1,161	—	58	1,416	23,977	26,612
	261,161	—	58	1,416	31,959	294,594
Accounts receivable:						
Corporate	206,854	10,614	2,151	129,350	311,781	660,750
Individual	427,911	323	1,186	956	18,144	448,520
	634,765	10,937	3,337	130,306	329,925	1,109,270
RCOCI	115	—	—	—	—	115
	₱30,147,518	₱7,618,498	₱3,587,007	₱11,195,146	₱92,824,700	₱145,372,869

	December 31, 2024					Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
Financial Liabilities						
Deposit liabilities:						
Demand	₱24,544,060	₱—	₱—	₱—	₱—	₱24,544,060
Savings	19,449,765	200,068	57,295	1,738	—	19,708,866
Time	23,788,510	8,125,723	858,657	258,369	216,157	33,247,416
	67,782,335	8,325,791	915,952	260,107	216,157	77,500,342
Derivative liabilities						
Forward contracts	163,409	—	—	—	—	163,409
Bills payable	14,820,660	—	—	—	—	14,820,660
Manager's checks	709,260	—	—	—	—	709,260
Accounts payable	3,377,110	536,596	126,640	99,340	331,705	4,471,391
Due to Treasurer of the Philippines	—	—	—	—	37,843	37,843
	19,070,439	536,596	126,640	99,340	369,548	20,202,563
Contingent liabilities	64,616,430	7,334,213	58,001	231,015	1,434,624	73,674,283
	₱151,469,204	₱16,196,600	₱1,100,593	₱590,462	₱2,020,329	₱171,377,188



5. Fair Value Measurement

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	December 31, 2025				
		Fair value			
	Carrying value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL					
Debt securities	₱712,485,686	₱712,485,686	₱–	₱–	₱712,485,686
Derivative assets	40,841,840	–	40,841,840	–	40,841,840
Financial assets at FVOCI					
Government securities	10,187,664,307	10,187,664,307	–	–	10,187,664,307
Private debt securities	468,579,816	468,579,816	–	–	468,579,816
Quoted equity securities	8,761,382	8,761,382	–	–	8,761,382
Unquoted equity securities	23,431,714	–	–	23,431,714	23,431,714
	11,441,764,745	11,377,491,191	40,841,840	23,431,714	11,441,764,745
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost					
Government securities	10,389,282,842	10,418,781,022	–	–	10,418,781,022
Private debt securities	614,388,520	615,994,423	–	–	615,994,423
	11,003,671,362	11,034,775,445	–	–	11,034,775,445
Loans and receivables					
Receivables from customers					
Corporate lending	2,641,600,503	–	–	4,254,370,466	4,254,370,466
Commercial lending	4,102,678,455	–	–	4,134,102,182	4,134,102,182
Consumer lending	44,753,033,226	–	–	46,569,436,249	46,569,436,249
	51,497,312,184	–	–	54,957,908,897	54,957,908,897
Nonfinancial assets					
Investment properties	1,702,348,442	–	–	3,143,355,412	3,143,355,412
Total assets	₱75,645,096,733	₱22,412,266,636	₱40,841,840	₱58,124,696,023	₱80,577,804,499
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱19,217,312	₱–	₱19,217,312	₱–	₱19,217,312
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	18,821,049,337	–	–	18,236,628,183	18,236,628,183
Bills payable	8,818,500,000	–	–	8,820,677,238	8,820,677,238
Subordinated debt	1,290,392,290	–	–	1,328,392,652	1,328,392,652
	₱28,949,158,939	₱–	₱19,217,312	₱28,385,698,073	₱28,404,915,385

	December 31, 2024				
		Fair value			
	Carrying value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL					
Debt securities	₱2,504,261,272	₱2,504,261,272	₱–	₱–	₱2,504,261,272
Derivative assets	17,547,010	–	17,547,010	–	17,547,010
Financial assets at FVOCI					
Government securities	13,392,092,394	13,392,092,394	–	–	13,392,092,394
Private debt securities	898,590,293	898,590,293	–	–	898,590,293
Quoted equity securities	8,761,382	8,761,382	–	–	8,761,382
Unquoted equity securities	23,431,714	–	–	23,431,714	23,431,714
	16,844,684,065	16,803,705,341	17,547,010	23,431,714	16,844,684,065

(Forward)



	December 31, 2024				
		Fair value			
	Carrying value	Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost					
Government securities	₱13,957,535,243	₱13,911,980,095	₱—	₱—	₱13,911,980,095
Private debt securities	179,464,711	182,443,821	—	—	182,443,821
	14,136,999,954	14,094,423,916	—	—	14,094,423,916
Loans and receivables					
Receivables from customers					
Corporate lending	5,403,648,898	—	—	6,807,154,491	6,807,154,491
Commercial lending	4,528,531,943	—	—	4,450,245,815	4,450,245,815
Consumer lending	50,541,664,257	—	—	51,731,549,670	51,731,549,670
	60,473,845,098	—	—	62,988,949,976	62,988,949,976
Nonfinancial assets					
Investment properties	1,800,121,153	—	—	3,135,276,525	3,135,276,525
Total assets	₱93,255,650,270	₱30,898,129,257	₱17,547,010	₱66,147,658,215	₱97,063,334,482
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱163,409,014	₱—	₱163,409,014	₱—	₱163,409,014
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	31,552,414,791	—	—	31,552,414,791	31,552,414,791
Bills payable	14,808,320,000	—	—	14,808,320,000	14,808,320,000
	₱46,524,143,805	₱—	₱163,409,014	₱46,360,734,791	₱46,524,143,805

In 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 measurements.

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

COCI, due from BSP and other banks and IBLR - The carrying amounts approximate fair values due to the short-term nature of these accounts. IBLR consists mostly of overnight deposits and floating rate placements.

Trading and investment securities - Fair values of debt securities and equity investments are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the fair value is determined in reference to interpolated Philippine Bloomberg Valuation (PH BVAL) reference rates provided by the Philippine Dealing and Exchange Corporation (PDEX). For equity investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the lack of suitable methods of arriving at a reliable fair value.

Derivative instruments - Fair values of derivative instruments, mainly forward foreign exchange contracts, are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, which uses present value calculations. The model incorporates various inputs including the foreign exchange rates and interest rate curves prevailing at the reporting date.

Loans and receivables - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans and receivables ranging from 1.3% to 27.30% in 2025 and 2024. Where the instrument reprices on a periodical basis or has a relatively short maturity, the carrying amounts approximated fair values.



Investment properties - The fair values of Bank's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining fair values include the following:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market data approach	Price per square meter, size, location, shape, time element and corner influence
Land and building	Market data approach for building and condominium for sale/lease and cost approach method for land improvements	Reproduction cost new

Significant Unobservable Inputs

Reproduction cost new	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

Liabilities - The fair values of liabilities approximate their carrying amounts due to either the demand nature or the relatively short-term maturities of these liabilities except for subordinated debt which fair values is estimated using the discounted cash flow methodology using the Bank's incremental borrowing rates for similar borrowings ranging from 6.7 to 7.2% and 0.1% to 8.5% in 2025 and 2024 consecutively with maturities consistent with those remaining for the liability being valued.



6. Due from BSP, Due from Other Banks, and Interbank Loans Receivable

Due from BSP

This account represents overnight deposit facility (ODF), demand deposit facility (DDF) and term deposit facility (TDF) maintained by the Bank with the BSP. DDF are generally maintained to meet the regulatory reserve requirements while ODF and TDF are maintained to manage excess liquidity.

Peso-denominated and non-interest-bearing demand deposits are maintained to meet the regulatory reserve requirements of the BSP.

Due from Other Banks

Due from other banks represent demand deposits which are due on demand and earn annual interest of 0.04% % to 0.6% in 2025 and from 0.0% to 0.6% in 2024, respectively.

IBLR

This represents interbank loans to foreign and local banks with maturities of two months or less and placements with BSP under reverse repurchase facility (RRF).

As at December 31, 2025 and 2024, deposits with BSP under RRF included within interbank loans receivable amounts to ₱1.3 billion and ₱2.5 billion, and earns interest from 4.50% to 5.89% and from 2.6% to 6.4% with tenors of one to fourteen days in 2025 and one to four days in 2024.

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2025	2024
Debt securities	₱712,485,686	₱2,504,261,272
Derivative assets (Note 17)	40,841,840	17,547,010
	₱753,327,526	₱2,521,808,282

As of December 31, 2025 and 2024, financial assets at FVTPL include net unrealized loss of ₱8.7 million and ₱15.0 million, respectively.

Nominal interest of debt securities ranges from 3.62% to 6.38% and from 2.38% to 8.63% in 2025 and 2024, respectively.

Interest income on financial assets at FVTPL amounted to ₱48.1 million and ₱68.7 million in 2025 and 2024, respectively.



8. Investment Securities

This account consists of:

	2025	2024
FVOCI		
Government securities	₱10,187,664,307	₱13,392,092,394
Private debt securities	468,579,816	898,590,293
	10,656,244,123	14,290,682,687
Quoted equity instruments	8,761,382	8,761,382
Unquoted equity instruments	23,431,714	23,431,714
	10,688,437,219	14,322,875,783
Amortized Cost		
Government securities	10,391,711,645	13,957,535,243
Private debt securities	616,099,967	183,579,943
	11,007,811,612	14,141,115,186
Allowance for credit losses	(4,140,250)	(4,115,232)
	11,003,671,362	14,136,999,954
Total	₱21,692,108,581	₱28,459,875,737

The movements in net unrealized gain (loss) on financial investments at FVOCI follow:

	2025	2024
Balance at beginning of year	(₱294,365,115)	(₱268,497,572)
Gains taken to profit and loss (Note 21)	(53,990,714)	(28,165,162)
Changes in fair value recognized in equity	57,334,506	3,328,180
Provision for expected credit losses	(133,040,793)	(9,653,075)
	(424,062,116)	(302,987,629)
Tax effect	32,424,250	8,622,514
Balance at end of year	(₱391,637,866)	(₱294,365,115)

Interest income from FVOCI investments in 2025 and 2024 amounted to ₱632.3 million and ₱642.4 million, respectively.

Peso-denominated financial instruments at FVOCI have effective interest rates ranging from 4.85% to 6.38% and from 2.38% to 8.00% in 2025 and 2024, respectively. Foreign currency-denominated financial instruments at FVOCI bear interest ranging from 3.54% to 5.55% and from 1.65% to 9.38% in 2025 and 2024, respectively.

Interest income from investment securities at amortized cost amounted to ₱589.0 million and ₱584.3 million in 2025 and 2024, respectively.

Peso-denominated bonds measured at amortized cost have effective interest rates ranging from 5.02% to 6.32% and from 3.38% to 6.88% in 2025 and 2024, respectively. Foreign currency-denominated bonds measured at amortized cost have effective interest rates ranging from 4.00% to 5.04% and from 3.18% to 5.75% in 2025 and 2024, respectively.



Movement of ECL on FVOCI during the year is presented in the table below (amounts in thousands):

	December 31, 2025			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of the year	₱4,672	₱–	₱–	₱4,672
New assets originated or purchased that remained at Stage 1 as at year-end	360,695	–	–	360,695
Transfers to Stage 2	(137,004)	137,004	–	–
Effect of collections and other movements in receivable balance	(227,288)	–	–	(227,288)
Balance at end of the year	₱1,075	₱137,004	₱–	₱138,079

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of the year	₱4,659	₱–	₱–	₱4,659
New assets originated or purchased that remained at Stage 1 as at year-end	–	–	–	–
Effect of collections and other movements in receivable balance	13	–	–	13
Balance at end of the year	₱4,672	₱–	₱–	₱4,672

ECL on investments measured at amortized cost is classified under Stage 1 as of December 2025 and 2024. There were no transfers between stages for both 2025 and 2024.

9. Loans and Receivables

This account consists of:

	2025	2024
Receivables from customers:		
Corporate	₱4,222,789,097	₱6,711,649,269
Commercial	4,150,699,731	4,612,622,222
Consumer:		
Auto loans	28,500,820,736	32,212,779,952
Housing loans	16,463,715,067	17,685,076,941
Others	1,033,750,787	1,511,987,605
	54,371,775,418	62,734,115,989
Less: Unearned discounts and other deferred income	30,737,320	38,707,668
	54,341,038,098	62,695,408,321
Accounts receivable:		
Corporate (Note 28)	814,485,249	1,107,925,178
Individual	2,922,793	1,344,904
	817,408,042	1,109,270,082
Accrued interest receivable (Note 28)	825,605,854	955,847,635
Sales contract receivable:		
Corporate	587,138,749	267,981,576
Individual	35,746,347	26,610,497
	622,885,096	294,592,073
RCOCI	106,811	114,664
	56,607,043,901	65,055,232,775
Less: Allowance for credit losses	3,632,982,389	3,030,042,096
	₱52,974,061,512	₱62,025,190,679



Receivables from customers consist of:

	2025	2024
Loans and discounts	₱52,923,304,709	₱61,359,878,230
Restructured loans	979,847,631	878,893,938
Customers' liabilities and other loans	403,319,430	458,127,548
Bills purchased (Note 16)	65,303,648	37,216,273
	₱54,371,775,418	₱62,734,115,989

Changes in the staging assessment of loans receivable are presented below (amounts in thousands):

	December 31, 2025			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year	₱5,140,520	₱305,699	₱1,265,430	₱6,711,649
New assets originated or purchased that remained at Stage 1 as at year-end	1,172,552	—	—	1,172,552
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	131,543	385,892	517,435
Transfers to Stage 3	—	(316,507)	316,507	—
Write-offs	—	—	(172,930)	(172,930)
Effect of collections and other movements in receivable balance (excluding write-offs)	(3,830,736)	10,808	(185,989)	(4,005,917)
Balance at end of the year	₱2,482,336	₱131,543	₱1,608,910	₱4,222,789
Commercial loans				
Balance at beginning of the year	₱4,262,353	₱112,773	₱237,497	₱4,612,623
New assets originated or purchased that remained at Stage 1 as at year-end	2,898,336	—	—	2,898,336
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	68,105	93,250	161,355
Transfers to Stage 1	7,518	(7,518)	—	—
Transfers to Stage 2	(30,538)	30,538	—	—
Transfers to Stage 3	(30,858)	(3,729)	34,587	—
Write-offs	—	—	(100)	(100)
Effect of collections and other movements in receivable balance (excluding write-offs)	(3,262,350)	(101,222)	(157,942)	(3,521,514)
Balance at end of the year	₱3,844,461	₱98,947	₱207,292	₱4,150,700
Auto loans				
Balance at beginning of the year	₱29,399,905	₱1,963,639	₱849,235	₱32,212,779
New assets originated or purchased that remained at Stage 1 as at year-end	6,858,483	—	—	6,858,483
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	289,977	89,906	379,883
Transfers to Stage 1	388,154	(382,403)	(5,751)	—
Transfers to Stage 2	(1,219,470)	1,226,082	(6,612)	—
Transfers to Stage 3	(299,787)	(220,088)	519,875	—
Write-offs	—	—	(150,977)	(150,977)
Effect of collections and other movements in receivable balance (excluding write-offs)	(9,511,880)	(1,024,944)	(262,524)	(10,799,348)
Balance at end of the year	₱25,615,405	₱1,852,263	₱1,033,152	₱28,500,820
Housing loans				
Balance at beginning of the year	₱16,769,885	₱310,914	₱604,279	₱17,685,078
New assets originated or purchased that remained at Stage 1 as at year-end	1,324,073	—	—	1,324,073
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	37,781	7,804	45,585
Transfers to Stage 1	100,874	(96,238)	(4,636)	—
Transfers to Stage 2	(405,150)	422,988	(17,838)	—
Transfers to Stage 3	(208,342)	(30,185)	238,527	—
Write-offs	—	—	—	—
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,971,309)	(113,700)	(506,011)	(2,591,020)
Balance at end of the year	₱15,610,031	₱531,560	₱322,125	₱16,463,716



	December 31, 2025			
	Stage 1	Stage 2	Stage 3	Total
Others				
Balance at beginning of the year	₱1,470,424	₱19,524	₱22,040	₱1,511,988
New assets originated or purchased that remained at Stage 1 as at year-end	910,647			910,647
Newly originated assets that moved to Stages 2 and 3 at year-end	—	30,881	25,567	56,448
Transfers to Stage 1	240	(240)	—	—
Transfers to Stage 2	(1,443)	1,443	—	—
Transfers to Stage 3	(1,190)	—	1,190	—
Write-offs	—	—	(76,544)	(76,544)
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,404,294)	(18,998)	54,504	(1,368,788)
Balance at end of the year	₱974,384	₱32,610	₱26,757	₱1,033,751
Total				
Balance at beginning of the year	₱57,043,087	₱2,712,549	₱2,978,481	₱62,734,117
New assets originated or purchased that remained at Stage 1 as at year-end	13,164,091	—	—	13,164,091
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	558,287	602,419	1,160,706
Transfers to Stage 1	496,786	(486,399)	(10,387)	—
Transfers to Stage 2	(1,656,601)	1,681,051	(24,450)	—
Transfers to Stage 3	(540,177)	(570,509)	1,110,686	—
Write-offs	—	—	(400,551)	(400,551)
Effect of collections and other movements in receivable balance (excluding write-offs)	(19,980,569)	(1,248,056)	(1,057,962)	(22,286,587)
Balance at end of the year	₱48,526,617	₱2,646,923	₱3,198,236	₱54,371,775

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year	₱8,048,363	₱438,103	₱1,170,169	₱9,656,635
New assets originated or purchased that remained at Stage 1 as at year-end	2,624,121	—	—	2,624,121
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	305,235	316	305,551
Transfers to Stage 1	2,653,303	(2,653,303)	—	—
Effect of collections and other movements in receivable balance (excluding write-offs)	(8,185,267)	2,215,664	94,945	(5,874,658)
Balance at end of the year	₱5,140,520	₱305,699	₱1,265,430	₱6,711,649
Commercial loans				
Balance at beginning of the year	₱3,688,379	₱43,673	₱543,931	₱4,275,983
New assets originated or purchased that remained at Stage 1 as at year-end	3,473,624	—	—	3,473,624
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	93,389	31,197	124,586
Transfers to Stage 2	(11,808)	11,808	—	—
Transfers to Stage 3	(39,884)	(13,909)	53,793	—
Effect of collections and other movements in receivable balance (excluding write-offs)	(2,847,958)	(22,188)	(391,424)	(3,261,570)
Balance at end of the year	₱4,262,353	₱112,773	₱237,497	₱4,612,623
Auto loans				
Balance at beginning of the year	₱22,294,027	₱1,372,237	₱808,243	₱24,474,507
New assets originated or purchased that remained at Stage 1 as at year-end	15,458,577	—	—	15,458,577
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	825,537	138,885	964,422
Transfers to Stage 1	276,016	(267,066)	(8,950)	—
Transfers to Stage 2	(930,184)	935,791	(5,607)	—
Transfers to Stage 3	(161,040)	(109,445)	270,485	—
Effect of collections and other movements in receivable balance (excluding write-offs)	(7,537,491)	(793,415)	(353,821)	(8,684,727)
Balance at end of the year	₱29,399,905	₱1,963,639	₱849,235	₱32,212,779



	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Housing loans				
Balance at beginning of the year	₱14,741,096	₱741,238	₱239,034	₱15,721,368
New assets originated or purchased that remained at Stage 1 as at year-end	3,421,167	—	—	3,421,167
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	59,213	37,153	96,366
Transfers to Stage 1	394,180	(381,030)	(13,150)	—
Transfers to Stage 2	(132,792)	132,792	—	—
Transfers to Stage 3	(94,226)	(60,015)	154,241	—
Effect of collections and other movements in receivable balance (excluding write-offs)	(1,559,540)	(181,284)	187,001	(1,553,823)
Balance at end of the year	₱16,769,885	₱310,914	₱604,279	₱17,685,078
Others				
Balance at beginning of the year	₱953,021	₱26,310	₱18,056	₱997,387
New assets originated or purchased that remained at Stage 1 as at year-end	606,698	—	—	606,698
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	1,716	2,131	3,847
Transfers to Stage 1	14	(14)	—	—
Transfers to Stage 2	(1,408)	1,408	—	—
Transfers to Stage 3	(2,001)	—	2,001	—
Write-offs	—	—	(67,574)	(67,574)
Effect of collections and other movements in receivable balance (excluding write-offs)	(85,900)	(9,896)	67,426	(28,370)
Balance at end of the year	₱1,470,424	₱19,524	₱22,040	₱1,511,988
Total				
Balance at beginning of the year	₱49,724,886	₱2,621,561	₱2,779,433	₱55,125,880
New assets originated or purchased that remained at Stage 1 as at year-end	25,584,187	—	—	25,584,187
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	1,285,090	209,682	1,494,772
Transfers to Stage 1	3,323,513	(3,301,413)	(22,100)	—
Transfers to Stage 2	(1,076,192)	1,081,799	(5,607)	—
Transfers to Stage 3	(297,151)	(183,369)	480,520	—
Write-offs	—	—	(67,574)	(67,574)
Effect of collections and other movements in receivable balance (excluding write-offs)	(20,216,156)	1,208,881	(395,873)	(19,403,148)
Balance at end of the year	₱57,043,087	₱2,712,549	2,978,481	₱62,734,117

Movement of ECL during the year is presented in the table below (amounts in thousands):

	December 31, 2025			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year	₱17,362	₱99,209	₱1,285,159	₱1,401,730
New assets originated or purchased that remained at Stage 1 as at year-end	2,653	—	—	2,653
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	30,449	353,001	383,450
Transfers to Stage 3	—	(98,641)	98,641	—
Write-offs	—	—	(172,930)	(172,930)
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(13,446)	(568)	(138)	(14,152)
Balance at end of the year	₱6,569	₱30,449	₱1,563,733	₱1,600,751
Commercial loans				
Balance at beginning of the year	₱10,368	₱9,086	₱237,954	₱257,408
New assets originated or purchased that remained at Stage 1 as at year-end	6,633	—	—	6,633
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	970	1,895	2,865
Transfers to Stage 1	2,506	(2,506)	—	—
Transfers to Stage 3	—	(128)	128	—
Write-offs	—	—	—	—
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(9,364)	(6,452)	(219,805)	(235,621)
Balance at end of the year	₱10,143	₱970	₱20,172	₱31,285



	December 31, 2025			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at beginning of the year	₱264,478	₱214,890	₱546,374	₱1,025,742
New assets originated or purchased that remained at Stage 1 as at year-end	182,775	—	—	182,775
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	35,901	31,460	67,361
Transfers to Stage 1	69,497	(17,128)	(52,369)	—
Transfers to Stage 2	(3,174)	30,581	(27,407)	—
Transfers to Stage 3	(7,976)	(29,407)	37,383	—
Write-offs	—	—	(147,430)	(147,430)
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	148,891	(15,804)	154,549	287,636
Balance at end of the year	₱654,491	₱219,033	₱542,560	₱1,416,084
Housing loans				
Balance at beginning of the year	₱105,745	₱12,988	₱76,550	₱195,283
New assets originated or purchased that remained at Stage 1 as at year-end	10,897	—	—	10,897
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	2,230	2,259	4,489
Transfers to Stage 1	6,159	(1,634)	(4,525)	—
Transfers to Stage 2	(4,205)	11,368	(7,163)	—
Transfers to Stage 3	(1,244)	(2,285)	3,529	—
Write-offs	—	—	—	—
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(26,918)	(1,560)	23,005	(5,473)
Balance at end of the year	₱90,434	₱21,107	₱93,655	₱205,196
Others				
Balance at beginning of the year	₱69,232	₱7,671	₱15,523	₱92,426
New assets originated or purchased that remained at Stage 1 as at year-end	60,642	—	—	60,642
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	12,979	17,654	30,633
Transfers to Stage 1	56	(56)	—	—
Transfers to Stage 2	(192)	192	—	—
Transfers to Stage 3	(97)	—	97	—
Write-offs	—	—	(63,407)	(63,407)
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(66,634)	(7,055)	48,846	(24,843)
Balance at end of the year	₱63,007	₱13,731	₱18,713	₱95,451
Total				
Balance at beginning of the year	₱467,185	₱343,844	₱2,161,560	₱2,972,589
New assets originated or purchased that remained at Stage 1 as at year-end	263,600	—	—	263,600
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	82,530	406,268	488,798
Transfers to Stage 1	78,217	(21,323)	(56,894)	—
Transfers to Stage 2	(7,571)	42,141	(34,570)	—
Transfers to Stage 3	(9,317)	(130,461)	139,778	—
Write-offs	—	—	(383,767)	(383,767)
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	32,531	(31,440)	6,456	7,547
Balance at end of the year	₱824,645	₱285,291	₱2,238,831	₱3,348,767



	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year	₱26,793	₱90,548	₱1,181,078	₱1,298,419
New assets originated or purchased that remained at Stage 1 as at year-end	8,466	—	—	8,466
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	98,743	202	98,945
Transfers to Stage 1	12	(12)	—	—
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(17,909)	(90,070)	103,879	(4,100)
Balance at end of the year	₱17,362	₱99,209	₱1,285,159	₱1,401,730
Commercial loans				
Balance at beginning of the year	₱7,914	₱3,364	₱260,037	₱271,315
New assets originated or purchased that remained at Stage 1 as at year-end	9,611	—	—	9,611
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	5,957	610	6,567
Transfers to Stage 2	(623)	623	—	—
Transfers to Stage 3	(2,988)	(333)	3,321	—
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(3,546)	(525)	(26,014)	(30,085)
Balance at end of the year	₱10,368	₱9,086	₱237,954	₱257,408
Auto loans				
Balance at beginning of the year	₱324,571	₱142,797	₱495,811	₱963,179
New assets originated or purchased that remained at Stage 1 as at year-end	143,252	—	—	143,252
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	95,061	48,008	143,069
Transfers to Stage 1	7,889	(7,706)	(183)	—
Transfers to Stage 2	(100,017)	100,532	(515)	—
Transfers to Stage 3	(56,977)	(39,876)	96,853	—
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(54,240)	(75,918)	(93,600)	(223,758)
Balance at end of the year	₱264,478	₱214,890	₱546,374	₱1,025,742
Housing loans				
Balance at beginning of the year	₱111,638	₱36,287	₱73,772	₱221,697
New assets originated or purchased that remained at Stage 1 as at year-end	23,241	—	—	23,241
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	1,391	11,007	12,398
Transfers to Stage 1	5,248	(5,098)	(150)	—
Transfers to Stage 2	(5,967)	5,967	—	—
Transfers to Stage 3	(28,217)	(18,136)	46,353	—
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(198)	(7,423)	(54,432)	(62,053)
Balance at end of the year	₱105,745	₱12,988	₱76,550	₱195,283
Others				
Balance at beginning of the year	₱80,655	₱8,890	₱12,439	₱101,984
New assets originated or purchased that remained at Stage 1 as at year-end	7,693	—	—	7,693
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	309	1,936	2,245
Transfers to Stage 1	2	(2)	—	—
Transfers to Stage 2	(189)	189	—	—
Transfers to Stage 3	(1,890)	—	1,890	—
Write-offs	—	—	(67,574)	(67,574)
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(17,039)	(1,715)	66,832	48,078
Balance at end of the year	₱69,232	₱7,671	₱15,523	₱92,426



	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Total				
Balance at beginning of the year	₱551,571	₱281,886	₱2,023,137	₱2,856,594
New assets originated or purchased that remained at Stage 1 as at year-end	192,263	—	—	192,263
Newly originated assets that moved to Stages 2 and 3 as at year-end	—	201,461	61,763	263,224
Transfers to Stage 1	13,151	(12,818)	(333)	—
Transfers to Stage 2	(106,796)	107,311	(515)	—
Transfers to Stage 3	(90,072)	(58,345)	148,417	—
Write-offs	—	—	(67,574)	(67,574)
Impact of transfers between stages and changes in assumptions, including effect of collections and other movements (excluding write-offs)	(92,932)	(175,651)	(3,335)	(271,918)
Balance at end of the year	₱467,185	₱343,844	₱2,161,560	₱2,972,589

As of December 31, 2025, allowance for credit losses on accounts receivable and sales contract receivable amounted to ₱125.6 million and ₱78.5 million, respectively. As of December 31, 2024, allowance for credit losses on accounts receivable and sales contract receivable amounted to ₱57.1 million and ₱0.4 million, respectively.

Interest income on loans and receivables consists of:

	2025	2024
Loans and discounts	₱4,917,480,300	₱4,769,375,913
Restructured loans	26,397,615	19,801,997
Customers' liabilities and other loans	90,128	56,916,847
Sales contract receivable	13,079,281	3,520,117
	₱4,957,047,324	₱4,849,614,874

Of the total peso-denominated loans of the Bank as of December 31, 2025 and 2024, 81.2% and 81.9% respectively, are subject to periodic interest repricing. Remaining peso-denominated loans earned annual EIR ranging from 4.73% to 24.05% in 2025 and from 4.73% to 25.99% in 2024. All foreign currency-denominated loans of the Bank as of December 31, 2025 and 2024 are subject to periodic interest repricing and earned annual EIR ranging from 5.00% and from 5.00% to 6.62% for the years ended December 31, 2025 and 2024, respectively.

All sales contract receivable as of December 31, 2025 and 2024 are subject to periodic interest repricing.

Receivable from Philmay Property, Incorporated (PPI)

On September 15, 2009, the Bank entered into a Memorandum of Agreement (MOA) with Philmay Property, Inc. (PPI) covering a receivable that earned interest based on the one-month PH BVAL reference rate plus 1.00%, subject to monthly repricing. The receivable was initially secured by a US\$20.0 million time deposit under a hold-out agreement executed by the Parent Company (MBB). In 2022, the receivable was fully settled through a dacion en pago transaction involving transfer of real estate properties from PPI to the Bank.

On July 31, 2023, the Bank's MBB's Board of Directors approved a Hold-Out Agreement in favor of the Bank. The allocation of the hold-out was updated in September 2024 as follows: US\$13.0 million to cover potential losses, costs, and expenses arising from the PPI Dacion and US\$7.0 million to cover exposures from other related party transactions and the required regulatory buffer.



As of December 31, 2024, total receivable from MBB related to the PPI Dacion amounted to ₱152.2 million and was settled in April 2025 (Note 28).

10. Property and Equipment

The composition of and movements in this account follow:

	December 31, 2025			
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
Balance at the beginning of year	₱262,553,193	₱822,321,699	₱636,881,368	₱1,721,756,260
Acquisitions	–	127,234,084	30,945,147	158,179,231
Disposals/write-off	–	(23,059,631)	–	(23,059,631)
Balance at end of the year	262,553,193	926,496,152	667,826,515	1,856,875,860
Accumulated depreciation				
Balance at beginning of year	218,040,511	671,265,925	538,285,556	1,427,591,992
Depreciation	6,141,244	61,334,262	19,786,442	87,261,948
Disposals/write-off	–	(15,489,431)	–	(15,489,431)
Balance at end of the year	224,181,755	717,110,756	558,071,998	1,499,364,509
Net book value	₱38,371,438	₱209,385,396	₱109,754,517	₱357,511,351

	December 31, 2024			
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
Balance at the beginning of year	₱262,553,193	₱799,343,291	₱637,937,621	₱1,699,834,105
Acquisitions	–	50,152,357	28,777,043	78,929,400
Disposals/write-off	–	(27,173,949)	(29,833,296)	(57,007,245)
Balance at end of the year	262,553,193	822,321,699	636,881,368	1,721,756,260
Accumulated depreciation				
Balance at beginning of year	211,899,265	636,218,965	547,278,760	1,395,396,990
Depreciation	6,141,246	62,195,517	21,088,091	89,424,854
Disposals/write-off	–	(27,148,557)	(30,081,295)	(57,229,852)
Balance at end of the year	218,040,511	671,265,925	538,285,556	1,427,591,992
Net book value	₱44,512,682	₱151,055,774	₱98,595,812	₱294,164,268

Depreciation and amortization consist of:

	2025	2024
Investment properties (Note 11)	₱167,217,192	₱159,908,609
Right-of-use assets (Note 24)	157,974,534	144,073,647
Property and equipment	87,261,948	89,424,854
Chattel properties acquired (Note 12)	97,945,826	141,424,169
Software costs (Note 12)	40,592,764	49,862,719
	₱550,992,264	₱584,693,998



As of December 31, 2025 and 2024, the cost of fully depreciated property and equipment still in use by the Bank amounted to ₱1.5 billion and ₱1.3 billion, respectively. Certain property and equipment were disposed in 2025 and 2024 which resulted in a net gain on disposal of ₱0.9 million and ₱1.3 million, respectively, and is presented under 'Gain (loss) on sale of properties' in the statements of income.

11. Investment Properties

The composition of and movements in this account follow:

	December 31, 2025		
	Land	Building	Total
Cost			
Balance at beginning of year	₱873,303,821	₱1,923,838,047	₱2,797,141,868
Additions (Note 30)	54,632,505	241,574,172	296,206,677
Disposals	(119,032,332)	(152,049,873)	(271,082,205)
Balance at end of year	808,903,994	2,013,362,346	2,822,266,340
Accumulated depreciation			
Balance at beginning of year	–	743,683,487	743,683,487
Depreciation (Note 10)	–	167,217,192	167,217,192
Disposals	–	(75,963,169)	(75,963,169)
Balance at end of year	–	834,937,510	834,937,510
Allowance for impairment losses			
Balance at beginning of year	83,056,099	170,281,129	253,337,228
Provisions (reversal of provisions)	(47,033,844)	78,677,004	31,643,160
Balance at end of year	36,022,255	248,958,133	284,980,388
Net book value at end of year	₱772,881,739	₱929,466,703	₱1,702,348,442

	December 31, 2024		
	Land	Building	Total
Cost			
Balance at beginning of year	₱960,878,010	₱1,732,906,699	₱2,693,784,709
Additions (Note 30)	78,945,191	277,832,906	356,778,097
Disposals	(166,519,380)	(86,901,558)	(253,420,938)
Balance at end of year	873,303,821	1,923,838,047	2,797,141,868
Accumulated depreciation			
Balance at beginning of year	–	601,350,243	601,350,243
Depreciation (Note 10)	–	159,908,609	159,908,609
Disposals	–	(17,575,365)	(17,575,365)
Balance at end of year	–	743,683,487	743,683,487
Allowance for impairment losses			
Balance at beginning of year	11,954,126	3,485,921	15,440,047
Provisions (reversals)	71,101,973	166,795,208	237,897,181
Balance at end of year	83,056,099	170,281,129	253,337,228
Net book value at end of year	₱790,247,722	₱1,009,873,431	₱1,800,121,153

Annually, management reviews the recoverable amount of investment properties. Several factors are considered such as real estate prices and physical condition of properties. The fair values of the investment properties as of December 31, 2025 and 2024 amounted to ₱3.1 billion as determined by independent and/or in-house appraisers (see Note 5).



Direct operating expenses, included in the 'Litigation and assets acquired expenses' in the statements of income, arising from investment properties amounted to ₱84.7 million and ₱137.9 million for the years ended December 31, 2025 and 2024, respectively.

12. Other Assets

This account consists of:

	2025	2024
Chattel properties acquired	₱180,623,597	₱305,217,377
Capital expenditures in progress	136,320,059	94,389,359
Advance rental and security deposits	104,995,685	149,223,427
Prepaid expenses	66,897,501	111,085,905
Software costs	64,644,334	86,649,988
Documentary stamps	23,846,034	39,557,576
Digital wallet	23,216,093	22,526,620
Creditable withholding tax	19,512,551	12,965,421
Supplies on hand	9,351,143	9,836,635
Miscellaneous	21,988,634	45,451,466
	₱651,395,631	₱876,903,774

Allowance for impairment loss on other miscellaneous assets amounted to ₱2.3 million and ₱4.8 million as of December 31, 2025 and 2024.

Movements in chattel properties acquired follow:

	2025	2024
Cost		
Balances at beginning of year	₱368,054,704	₱273,592,929
Additions (Note 30)	1,301,177,053	1,087,354,583
Disposals	(1,433,411,651)	(992,892,808)
Balances at end of year	235,820,106	368,054,704
Accumulated Depreciation		
Balances at beginning of year	51,817,946	43,916,344
Depreciation (Note 10)	97,945,826	141,424,169
Disposals	(108,988,638)	(133,522,567)
Balances at end of year	40,775,134	51,817,946
Accumulated Impairment Loss		
Balances at beginning of year	11,019,381	2,444,485
Provisions	56,430,842	10,631,931
Disposals	(53,028,848)	(2,057,035)
Balances at end of year	14,421,375	11,019,381
Net Book Value at end of year	₱180,623,597	₱305,217,377



Movements in software costs follow:

	2025	2024
Cost		
Balances at beginning of year	₱487,995,934	₱459,936,554
Reclassification	25,227,093	–
Additions	4,998,980	28,059,380
Balances at end of year	518,222,007	487,995,934
Accumulated Depreciation		
Balances at beginning of year	401,345,946	351,483,227
Reclassification	11,638,963	–
Amortization (Note 10)	40,592,764	49,862,719
Balances at end of year	453,577,673	401,345,946
Net Book Value at end of year	₱64,644,334	₱86,649,988

As of December 31, 2025 and 2024, the cost of fully depreciated software still in use by the Bank amounted to ₱373.6 million and ₱296.5 million, respectively.

13. Deposit Liabilities

As of December 31, 2025 and 2024, non-FCDU deposit liabilities of the Bank and deposit substitutes are subject to required reserves of 5.0% and 7.0%, respectively. The required reserves can be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature.

As of December 31, 2025 and 2024, the total statutory and liquidity reserves (under ‘Due from BSP’ account) as reported to the BSP amounted to ₱3.4 billion and ₱4.9 billion, respectively.

Interest expense on deposit liabilities consists of:

	2025	2024
Time	₱1,563,746,747	₱2,070,240,355
Demand	156,778,502	91,333,064
Savings	60,105,147	57,702,159
	₱1,780,630,396	₱2,219,275,578

Peso-denominated deposit liabilities bear annual fixed interest rates ranging from 0.13% to 5.76% and from 0.13% to 8.50% for the years ended December 31, 2025 and 2024, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.01% to 4.33% and from 0.01% to 6.15% for the years ended December 31, 2025 and 2024, respectively.

14. Bills Payable

This account consists of unsecured borrowings from the Parent Company (see Note 28) amounting to ₱8.8 billion and ₱14.8 billion as of December 31, 2025 and 2024, respectively.

Dollar-denominated borrowings are subject to annual EIR ranging from 3.8% to 5.05% and from 4.8% to 5.8% for the years ended December 31, 2025 and 2024, respectively.



In 2025 and 2024, the Bank recognized interest expense amounting to ₱497.8 million and ₱525.0 million, respectively. The terms of the borrowings range from 1 to 90 days and from 1 to 3 days in 2025 and 2024, respectively.

15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2025	2024
Accrued employee benefits	₱295,437,268	₱317,503,794
Accrued interest payable (Note 28)	167,124,082	157,611,862
Accrued taxes and licenses	136,727,768	81,459,130
Accrued rent	14,379,776	9,972,495
Accrued other expenses (Note 28)	325,777,416	260,631,316
	₱939,446,310	₱827,178,597

Accrued other expenses include accrual for various administrative expenses, professional fees, information technology expenses and other provisions.

16. Other Liabilities

This account consists of:

	2025	2024
Accounts payable	₱766,776,399	₱4,471,390,869
Net pension liability (Note 20)	387,169,618	363,158,054
Unearned bancassurance income (Note 28)	333,333,334	366,666,667
Bills purchased - contra (Note 9)	65,303,648	37,216,273
Due to the Treasurer of the Philippines	64,801,111	37,842,667
Withholding taxes payable	54,560,783	157,969,471
Outstanding acceptances	53,745,659	8,720,712
Unclaimed balances	41,308,885	39,912,982
Allowance for credit losses on off-balance sheet exposures	30,680,020	34,668,343
Other dormant credits	23,535,501	26,835,555
Miscellaneous	170,164,236	86,236,480
	₱1,991,379,194	₱5,630,618,073

Accounts payable mainly refers to other obligations of the Bank under open account arrangement such as deposits made by customers for various expenses in connection with pending loan applications, indebtedness of closed accounts pending claim from depositors or heirs, and payables to various suppliers.

17. Derivative Financial Instruments

As of December 31, 2025 and 2024, the Bank's derivative financial instruments represent interest rate swaps and currency forwards used by the Bank to manage exposures arising from changes in interest rates and foreign exchange rates.



The table sets out the information about the Bank's derivative financial instruments and the related fair values, together with the notional amounts:

	December 31, 2025			December 31, 2024		
	Notional Amount	Derivative Asset	Derivative Liability	Notional Amount	Derivative Asset	Derivative Liability
Forward contracts	US\$367,843,992	₱25,453,516	₱19,217,312	US\$416,084,055	₱1,574,745	₱163,409,014
Cross-currency interest rate swap	1,700,000	15,388,324	—	2,200,000	15,972,265	—
		₱40,841,840	₱19,217,312		₱17,547,010	₱163,409,014

Interest income from derivatives in 2025 and 2024 amounted to ₱4.2 million and ₱3.4 million, respectively. Interest expense on derivatives in 2025 and 2024 amounted to ₱1.9 million and ₱3.4 million, respectively.

The movements in the Bank's derivative financial instruments follow:

	2025	2024
Derivative Assets		
Balance at beginning of year	₱17,547,010	₱18,053,470
Changes in fair value (Note 21)	(17,600,399)	(38,211,876)
Net addition (settlement)	40,895,229	37,705,416
Balance at end of year	40,841,840	17,547,010
Derivative Liabilities		
Balance at beginning of year	163,409,014	83,137,059
Changes in fair value (Note 21)	(1,516,309)	4,089,588
Net addition (settlement)	(142,675,393)	76,182,367
Balance at end of year	₱19,217,312	₱163,409,014

18. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	2025			2024		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Financial assets						
Cash and other cash items	₱2,183,044,358	₱—	₱2,183,044,358	₱1,956,185,744	₱—	₱1,956,185,744
Due from BSP	3,661,230,719	—	3,661,230,719	8,084,429,325	—	8,084,429,325
Due from other banks	6,639,098,679	—	6,639,098,679	508,236,828	—	508,236,828
Interbank loans receivable	1,300,000,000	—	1,300,000,000	2,529,840,390	—	2,529,840,390
Financial assets at FVTPL						
Government securities	712,485,687	—	712,485,687	2,504,261,272	—	2,504,261,272
Derivative assets	34,116,518	6,725,322	40,841,840	6,825,265	10,721,745	17,547,010
	14,529,975,961	6,725,322	14,536,701,283	15,589,778,824	10,721,745	15,600,500,569
Financial assets at FVOCI						
Government securities	4,212,527,646	5,975,136,660	10,187,664,306	7,506,496,253	5,885,596,141	13,392,092,394
Private debt securities	—	468,579,816	468,579,816	35,956,484	862,633,808	898,590,292
Equity securities						
Quoted equity instruments	—	8,761,382	8,761,382	—	8,761,382	8,761,382
Unquoted equity instruments	—	23,431,714	23,431,714	—	23,431,714	23,431,714
	4,212,527,646	6,475,909,572	10,688,437,218	7,542,452,737	6,780,423,045	14,322,875,782
Investment securities at amortized cost						
Government securities	6,386,592,871	4,005,118,774	10,391,711,645	8,986,936,615	4,970,598,628	13,957,535,243
Private debt securities	616,099,967	—	616,099,967	155,379,975	28,199,968	183,579,943
	7,002,692,838	4,005,118,774	11,007,811,612	9,142,316,590	4,998,798,596	14,141,115,186
Loans and receivables						
Receivables from customers						
Corporate	2,281,106,176	1,941,682,921	4,222,789,097	5,106,780,838	1,604,868,431	6,711,649,269
Commercial	2,986,282,847	1,164,416,884	4,150,699,731	3,356,496,409	1,256,125,813	4,612,622,222

(Forward)



	2025			2024		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Consumer						
Auto loans	₱1,163,116,460	₱27,337,704,275	₱28,500,820,735	₱1,556,480,379	₱30,656,299,573	₱32,212,779,952
Housing	76,818,440	16,386,896,627	16,463,715,067	94,430,073	17,590,646,868	17,685,076,941
Others	888,841,377	144,909,410	1,033,750,787	1,361,461,896	150,525,709	1,511,987,605
	7,396,165,300	46,975,610,117	54,371,775,417	11,475,649,595	51,258,466,394	62,734,115,989
Sales contract receivable						
Corporate	262,107,403	325,031,346	587,138,749	260,000,000	7,981,576	267,981,576
Individual	3,556,514	32,189,833	35,746,347	2,633,670	23,976,827	26,610,497
	265,663,917	357,221,179	622,885,096	262,633,670	31,958,403	294,592,073
Accounts receivable						
Corporate	393,495,579	420,989,670	814,485,249	311,780,800	348,968,808	660,749,608
Individual	2,846,554	76,239	2,922,793	18,143,760	430,376,713	448,520,473
	396,342,133	421,065,909	817,408,042	329,924,560	779,345,521	1,109,270,081
Accrued interest receivable	825,605,854	–	825,605,854	955,847,635	–	955,847,635
RCOCI	106,811	–	106,811	114,664	–	114,664
	825,712,665	–	825,712,665	955,962,299	–	955,962,299
	34,629,080,460	58,241,650,873	92,870,731,333	45,298,718,275	63,859,713,704	109,158,431,979
Nonfinancial assets						
Property and equipment	–	357,511,351	357,511,351	–	294,164,268	294,164,268
Right-of-use assets	–	711,109,264	711,109,264	–	634,319,519	634,319,519
Investment properties	–	1,702,348,442	1,702,348,442	–	1,800,121,153	1,800,121,153
Deferred tax assets	–	828,964,012	828,964,012	–	1,006,121,158	1,006,121,158
Other assets	–	651,395,631	651,395,631	–	876,903,774	876,903,774
	–	4,251,328,700	4,251,328,700	–	4,611,629,872	4,611,629,872
Less: Allowance for impairment and credit losses			(3,638,439,455)			(3,034,157,327)
Unearned discounts and other deferred income			(30,737,320)			(38,707,668)
Total Assets			₱93,452,883,258			₱110,697,196,857
Financial liabilities						
Deposit liabilities						
Demand	₱24,700,279,482	₱–	₱24,700,279,482	₱24,544,060,368	₱–	₱24,544,060,368
Savings	25,672,478,140	–	25,672,478,140	19,708,866,423	–	19,708,866,423
Time	16,012,975,968	2,808,073,369	18,821,049,337	31,349,791,107	202,623,684	31,552,414,791
	66,385,733,590	2,808,073,369	69,193,806,959	75,602,717,898	202,623,684	75,805,341,582
Derivative liabilities	19,217,312	–	19,217,312	163,409,014	–	163,409,014
Bills payable	8,818,500,000	–	8,818,500,000	14,808,320,000	–	14,808,320,000
Manager's checks	293,789,384	–	293,789,384	709,259,872	–	709,259,872
Accrued interest payable	167,124,082	–	167,124,082	157,611,862	–	157,611,862
Lease liabilities	141,648,325	668,237,421	809,885,746	471,696,671	284,311,542	756,008,213
Accounts payable	766,776,399	–	766,776,399	4,471,390,869	–	4,471,390,869
Subordinated debt	–	1,290,392,290	1,290,392,290	–	–	–
Due to Treasurer of the Philippines	–	64,801,111	64,801,111	–	37,842,667	37,842,667
	76,592,789,092	4,831,504,191	81,424,293,283	96,384,406,186	524,777,893	96,909,184,079
Nonfinancial liabilities						
Income tax payable	84,540,258	–	84,540,258	28,841,261	–	28,841,261
Accrued taxes and other expenses	772,322,228	–	772,322,228	669,566,735	–	669,566,735
Other liabilities	1,159,801,684	–	1,159,801,684	1,121,384,537	–	1,121,384,537
	2,016,664,170	–	2,016,664,170	1,819,792,533	–	1,819,792,533
	₱78,609,453,262	₱4,831,504,191	₱83,440,957,453	₱98,204,198,719	₱524,777,893	₱98,728,976,612

19. Capital Funds

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

	Shares	Amount
Common stock - ₱35.0 par value		
Authorized	473,366,128	₱16,567,814,480
Issued and outstanding	294,666,977	10,313,344,184
Balance at the beginning and end of the period	294,666,977	10,313,344,184
Preferred stock - ₱3.7 par value		
Authorized	295,000,000	1,091,500,000
Issued and outstanding	64,355,294	238,114,588
Balance at the beginning and end of the period, net of subscriptions receivable of ₱5,574,864	62,848,617	232,539,724
	357,515,594	₱10,545,883,908



Preferred shares of stock are cumulative with a guaranteed quarterly dividend of 2.50%, nonparticipating, nonvoting and with preference in asset distribution and payable in full at par plus accumulated dividends in case of dissolution or liquidation. Dividends are declared at the discretion of the BOD.

Preferred Series “A” and “B” shares of stock are redeemable at the option of the Bank at par value plus unpaid accumulated dividends after 15 years from date of issue. Where the Bank exercises the option to redeem the shares, the holder will have an option to convert to new preferred shares or certificate of indebtedness in lieu of redemption. Preferred Series “B” shares of stock included in the increase in capitalization authorized under the resolution passed by stockholders on October 20, 1962, are redeemable after 10 years from date of issue and convertible, at the option of the holder, into voting common shares of stock in lieu of redemption. Both Preferred Series “A” and “B” shares of stock were issued on October 1, 1961.

Preferred Series “C” shares of stock have preference in payment of dividends over other preferred or common shares which have unpaid accumulated and accrued dividends, and are convertible into voting common stock at the option of the holder thereof, provided that such conversion be made only after 7.5 years from date of issue. Preferred Series “C” shares of stock were issued on September 14, 1974.

As of December 31, 2025 and 2024, dividends in arrears on cumulative preferred shares amounted to ₱1.1 billion.

Treasury shares consist of 5,130 common shares, 38,000 Preferred Series “A” shares of stock and 17,150 Preferred Series “B” shares of stock, which are carried at cost.

Capital Management

The Bank manages its capital to ensure it complies with externally imposed capital requirements and maintains healthy capital ratios to support business growth and maximize shareholder value.

Surplus reserves

Surplus reserves of the Bank include reserve for trust business amounting to ₱46.0 million and ₱42.7 million as of December 31, 2025 and 2024, respectively. In compliance with existing BSP regulations, 10.00% of the net profits realized by the Bank from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Bank’s regulatory capital.

Regulatory Qualifying Capital

BSP, as the Bank’s lead regulator, sets and monitors capital requirements. Under current banking regulations, the Bank’s compliance with regulatory requirements and ratios is based on the “unimpaired capital” (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects. Moreover, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than ten percent (10.00%). Qualifying capital and risk-weighted assets are computed based on BSP regulations. The Bank is also required to meet the minimum capital of ₱10.0 billion.

Effective January 1, 2014, the Bank complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards.



The regulations also set out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total Capital Adequacy Ratio (CAR) remains unchanged at 10.00% and these ratios shall be maintained at all times.

The BSP prescribes certain sanctions for non-compliance with the minimum capital requirements depending on the degree of capital deficiency incurred by the Bank such as suspension of authority to invest in allied undertakings, branching privileges and declaration of dividends, among others.

On June 27, 2014, the BSP issued Circular No. 839, Real Estate Stress Test (REST) Limit for Real Estate Exposures which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Bank should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Bank's real estate exposures. These shall be complied with at all times.

The table below summarizes the CAR of the Bank as reported to the BSP as of December 31, 2025 and 2024 (amounts in millions):

	2025	2024
Net Tier 1/CET 1 Capital	₱8,035	₱10,406
Tier 2 capital	1,866	453
Total Qualifying Capital	₱9,901	₱10,859
Credit Risk-Weighted Assets	₱57,297	₱65,489
Market Risk-Weighted Assets	617	429
Operational Risk-Weighted Assets	8,380	8,677
Total Risk-Weighted Assets	₱66,294	₱74,595
CET1 Ratio	12.12%	13.95%
Tier 1 capital ratio	12.12%	13.95%
Total capital ratio	14.93%	14.56%

The qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory Gross Qualifying Capital of the Bank consists of Tier 1 (core), composed of Common Equity Tier 1 and Additional Tier 1, and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred income tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated debts, revaluation reserves and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the statements of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.



Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All nonperforming loans (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

* *Not all inclusive*

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk have a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the statement of financial position at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Bank's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

As of December 31, 2025 and 2024, the Bank has complied with the CAR requirement of the BSP.



Internal Capital Adequacy Assessment Process (ICAAP)

In 2009, the BSP issued Circular No. 639 covering the ICAAP which supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. The Bank has a Board-approved ICAAP Framework with areas that cover Capital Management, Pillar 1 and Pillar 2 Risk Measurement, Minimum Internal Capital Requirement Calculation, Use of the ICAAP, Governance Structure, and Reporting Framework. The Bank complies with the required annual submission of updated ICAAP.

Leverage Ratio

On June 9, 2015, BSP issued circular No. 881, which approved the guidelines for the implementation of the Basel III Leverage Ratio (BLR) in the Philippines. The BLR is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The BLR is defined as the capital measure (the numerator) divided by the exposure measure (the denominator). The monitoring of the BLR shall be implemented as a Pillar 1 minimum requirement effective on July 1, 2018.

The BLR of the Bank as of December 31, 2025 and 2024 as reported to the BSP are shown in the table below (amounts in millions).

	2025	2024
Tier 1 Capital	₱8,035	₱10,406
Exposure Measure	99,298	117,191
Leverage Ratio	8.09%	8.88%

Liquidity Coverage Ratio

On February 18, 2016, the BSP issued Circular No. 905 which approved the attached liquidity standards, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. Banks are required to adopt Basel III's Liquidity Coverage Ratio (LCR) aimed at strengthening the short-term liquidity position of banks. This requires banks to have available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflow for a 30-day period under stress conditions. The standard prescribes that, under a normal situation, the value of the liquidity ratio be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress.

As of December 31, 2025 and 2024, the LCR of the Bank as reported to the BSP in single currency is 141.38% and 120.03%, respectively.

Net Stable Funding Ratio

On June 6, 2018, the BSP issued Circular No. 1007 which approved the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). Banks are required to adopt Basel III's NSFR aimed to promote long-term resilience of banks against liquidity risk. Banks shall maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The NSFR complements the LCR, which promotes short-term resilience of a Bank's liquidity profile.

As of December 31, 2025 and 2024, the NSFR of the Bank as reported to the BSP is 119.07% and 111.38%, respectively.



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. The Bank has complied with all externally imposed capital requirement throughout the period.

20. Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits based on the employee's final plan salary and years of service. The Bank's retirement plan is in the form of a trust administered by the Bank's Trust Department under the supervision of the Staff Committee.

Under the existing regulatory framework, RA No. 7641 requires companies with at least ten (10) employees to pay retirement benefits 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 net pension liability included in 'Other liabilities' in the statements of financial position is as follows:

	2025	2024
Present value of the defined benefit obligation	₱663,064,833	₱622,367,638
Fair value of plan assets	(275,895,215)	(259,209,584)
Net pension liability	₱387,169,618	₱363,158,054

Changes in the present value of the defined benefit obligation as of December 31, 2025 and 2024 recognized in the statements of financial position follow:

	2025	2024
Balance at beginning of year	₱622,367,638	₱623,168,841
Current service cost	73,963,533	74,360,248
Interest cost	38,088,899	37,639,398
Remeasurement loss (gain):		
Actuarial loss (gain) arising from experience adjustments	20,742,354	(26,157,246)
Actuarial gain arising from changes in financial assumptions	(2,242,444)	(3,468,694)
Benefits paid	(89,855,147)	(83,174,909)
Balance at end of year	₱663,064,833	₱622,367,638

Changes in fair value of plan assets are as follows:

	2025	2024
Balance at beginning of year	₱259,209,584	₱245,223,269
Contributions	96,746,639	97,188,161
Interest income	15,863,627	14,811,485
Remeasurement loss	(6,069,488)	(14,838,422)
Benefits paid	(89,855,147)	(83,174,909)
Balance at end of year	₱275,895,215	₱259,209,584



The fair value of plan assets by each class is as follows:

	2025	2024
Cash and cash equivalents	₱4,812,119	₱14,705,111
Accrued interest and other receivables	3,171,941	2,858,993
Debt instruments		
Government securities	267,638,453	239,890,128
Private securities	845,760	2,106,004
Liabilities	(573,058)	(350,652)
Fair value of plan assets	₱275,895,215	₱259,209,584

The Bank's plan assets are carried at fair value. All equity and debt instruments held have quoted prices in active market. The fair value of cash and cash equivalents, accrued interest and other receivables approximates their carrying amount due to the short-term nature of these accounts.

The Bank performs an asset-liability matching assessment of its defined benefit plan and reviews the portfolio mix as necessary. If there are changes in the portfolio mix, this shall be approved by the Staff Committee.

The Bank expects to contribute ₱100.3 million to the plan in 2026.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used are shown below:

	2025	2024
Discount rate		
At January 1	6.12%	6.04%
At December 31	6.17%	6.12%
Future salary increase rate	4.50%	4.50%
Average remaining working life	6	6

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2025 and 2024, assuming all other assumptions were held constant.

	2025	2024
Increase in discount rate by 1.00%	(₱42,258,953)	(₱40,730,872)
Decrease in discount rate by 1.00%	47,300,465	45,680,670
Increase in salary increase rate by 1.00%	47,858,342	46,315,897
Decrease in salary increase rate by 1.00%	(44,198,344)	(43,062,546)

The amounts included in 'Compensation and fringe benefits' expense in the statements of income are as follows:

	2025	2024
Current service cost	₱73,963,533	₱74,360,248
Net interest cost	22,225,272	22,827,913
Expense recognized during the year	₱96,188,805	₱97,188,161



The Bank also has a defined contribution plan for certain employees. The pension expense recognized under this plan amounting to ₱27.2 million and ₱26.6 million for the years ended December 31, 2025 and 2024, respectively, is included in 'Compensation and fringe benefits' in the statements of income.

The average duration of the retirement liability is 13 years and 17 years as of December 31, 2025 and 2024, respectively. Maturity analysis of the undiscounted benefit payments follows:

	2025	2024
Less than one year	₱74,267,335	₱73,184,210
More than one to five years	393,405,201	463,192,235
More than five to 10 years	603,138,895	576,757,238
More than 10 to 15 years	548,145,768	539,470,243
More than 15 to 20 years	423,668,490	324,516,701
More than 20 years	649,674,585	636,048,534

21. Trading Gains - net

This account consists of trading gains (losses) from the following financial assets:

	2025	2024
Financial instruments at FVTPL:		
Debt securities	₱107,034,850	₱94,709,902
Derivatives	(19,116,709)	(34,122,289)
Financial assets at FVOCI (Note 8)	53,990,714	28,165,162
	₱141,908,855	₱88,752,775

22. Service Charges, Fees and Commissions

This account consists of:

	2025	2024
Credit-related (Note 28)	₱468,916,672	₱511,343,494
Deposit-related	68,919,942	69,005,155
Bancassurance fees (Note 28)	64,694,752	66,198,260
Others	28,570,525	81,333,075
	₱631,101,891	₱727,879,984

Credit-related service fees are generated from the lending businesses of the Bank. Others include securities brokerage fees.



23. Miscellaneous Income and Expenses

Miscellaneous income consists of:

	2025	2024
Processing fee	₱42,851,196	₱59,406,319
Trust fees (Note 28)	27,621,128	25,129,262
Recovery on written-off accounts	25,319,784	27,681,448
Rental income	3,631,173	940,342
Others	17,368,147	11,115,843
	₱116,791,428	₱124,273,214

Others include miscellaneous income from penalties, inspection and appraisal fees on charged off assets.

Miscellaneous expense consists of:

	2025	2024
Outsourced services	₱191,657,266	₱260,884,556
Cards-related expenses	137,922,341	138,176,954
Membership fees and dues	41,020,198	33,564,602
Repairs and maintenance	40,998,780	22,282,386
Banking fees	32,661,655	30,060,937
Commissions and service charges	23,384,291	42,858,564
Advertising and publications	14,744,508	45,328,655
Freight	8,455,987	23,909,425
Fuel and lubricants	3,617,066	1,430,815
Philippine Clearing House Corporation fees	1,407,928	1,415,680
Others	87,364,467	41,347,641
	₱583,234,487	₱641,260,215

Cards-related expenses include costs relating to credit cards business of the Bank, settlement expenses, and credit investigation expenses.

Others include provisions, periodicals, various office supplies, registration fees for various seminars, donations, and charitable contributions.

24. Lease Contracts

The rollforward analysis of right-of-use assets follows:

	2025	2024
Right-of-use assets, beginning balance	₱634,319,519	₱567,834,390
Additions	234,764,279	210,558,776
Depreciation (Note 10)	(157,974,534)	(144,073,647)
Right-of-use assets, ending balance	₱711,109,264	₱634,319,519



Set out below are the amounts recognized in the statement of income:

	2025	2024
Depreciation expense of right-of-use assets (Note 10)	₱157,974,534	₱144,073,647
Interest expense on lease liabilities	70,961,948	62,662,384
Rent expense - short-term leases and leases of low-value assets	65,026,542	89,060,732
Total amounts recognized in statement of income	₱293,963,024	₱295,796,763

The Bank entered into lease agreements with third parties.

The rollforward analysis of lease liabilities follows:

	2025	2024
Lease liabilities, beginning	₱756,008,213	₱722,844,118
Payments	(252,279,499)	(241,524,070)
Interest expense	70,961,948	62,662,384
Net additions	235,195,084	212,025,781
Lease liabilities, ending	₱809,885,746	₱756,008,213

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

	2025	2024
Within one year	₱240,888,829	₱204,100,229
More than 1 year to 2 years	223,065,952	140,227,242
More than 2 years to 3 years	205,056,381	116,968,963
More than 3 years to 5 years	514,482,528	158,154,494
More than 5 years	411,997,370	412,371,228
	₱1,595,491,060	₱1,031,822,156

The Bank leases the premises occupied by its head office and branches for periods ranging from 2 to 25 years and are renewable upon mutual agreement of both parties under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00%.

25. 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 documentary stamp tax and gross receipts tax (GRT).

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as ‘Provision for (benefit from) income tax’ in the statements of income.

RA No. 9337, An Act Amending the National Internal Revenue Code, provides that the RCIT rate shall be 30.00% and interest expense allowed as deductible expense shall be reduced by 33.00% of the interest income subject to final income tax.



An MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

Pursuant to Republic Act No. 9294, income derived by the FCDU from foreign currency transactions with nonresidents, offshore banking units (OBUs), and local commercial banks, including branches of foreign banks authorized by the Bangko Sentral ng Pilipinas (BSP) to transact with FCDUs and other depository banks under the expanded foreign currency deposit system, is exempt from income tax.

Interest income on foreign currency-denominated loans to residents, other than OBUs or other depository banks under the expanded system, is subject to a 10.00% gross income tax. Interest income on deposit placements with other FCDUs and OBUs is subject to final tax at rates ranging from 7.50% to 15.00%.

All other income of the FCDU is subject to the applicable corporate income tax rate of 25.00% (or 20.00% for qualified corporations) under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

Provision for income tax consists of:

	2025	2024
Current:		
Final	₱225,736,152	₱289,884,398
MCIT	85,555,735	64,313,741
	311,291,887	354,198,139
Deferred	177,157,147	113,724,180
	₱488,449,034	₱467,922,319

The details of net deferred tax assets follow:

	2025	2024
Deferred tax asset on:		
Allowance for impairment and credit losses	₱561,853,858	₱727,119,472
Accumulated depreciation on investment and chattel properties	218,928,161	198,875,358
Provisions and accruals	84,696,064	142,078,081
Retirement liability and unamortized past service cost	117,619,918	105,127,494
Lease liability net of right-of-use assets	24,694,120	30,422,173
Unrealized foreign exchange loss	9,420,096	—
Fair value loss on HFT investments	6,700,112	3,783,009
Fair value loss on FVOCI investments	898,129	3,352,048
Excess of MCIT over RCIT	—	140,593,686
	1,024,810,458	1,351,351,321
Deferred tax liability on:		
Fair value of investment properties and chattel properties	195,846,446	212,013,999
Unrealized foreign exchange gain	—	133,216,164
	195,846,446	345,230,163
	₱828,964,012	₱1,006,121,158



As of December 31, 2025 and 2024, the Bank did not recognize deferred tax assets on the following unused tax losses and temporary differences since the management believes that it is not probable that the related tax benefits will be realized in the future.

	2025	2024
NOLCO	₱3,700,421,491	₱2,874,334,723
Allowance for impairment and credit losses	1,591,936,716	2,768,151
Excess of MCIT over RCIT	182,903,991	–
	₱5,475,262,198	₱2,877,102,874

The Bank's excess MCIT over RCIT which can be utilized against annual income tax payable are as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2022	₱35,820,153	₱35,820,153	₱–	2025
2023	40,459,792	–	40,459,792	2026
2024	64,372,322	–	64,372,322	2027
2025	78,071,877	–	78,071,877	2028
	₱218,724,144	₱35,820,153	₱182,903,991	

The Bank's NOLCO with its corresponding year of expiry are as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2022	₱9,621,088	₱9,621,088	₱–	2025
2023	1,342,796,335	–	1,342,796,335	2026
2024	1,521,917,300	–	1,521,917,300	2027
2025	835,707,856	–	835,707,856	2028
	₱3,710,042,579	₱9,621,088	₱3,700,421,491	

Reconciliation between the statutory income tax and the effective income tax follows:

	2025	2024
Statutory income tax	(25.00%)	(25.00%)
Tax effects of:		
Tax-exempt income and income subjected to final tax	(20.93%)	(219.11%)
Nondeductible expenses	5.51%	100.37%
Change in unrecognized deferred tax assets	77.52%	77.93%
FCDU income before income tax	(0.88%)	(26.88%)
Effective income tax	36.23%	92.69%

26. Trust Operations

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Bank.



In connection with the trust business of the Bank, government securities with total face value of ₱126.0 million and ₱141.0 million as of December 31, 2025 and 2024, respectively, under 'Investment Securities at Amortized Cost' account are deposited with the BSP in compliance with the requirements of the General Banking Law.

27. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are outstanding commitments and other contingent liabilities which are not reflected in the accompanying financial statements. The Bank does not anticipate material losses from these commitments and contingent liabilities.

28. 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 or if they are subject to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

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

Transactions with Retirement Plan

The retirement fund of the Bank's employees with fair value amounting to ₱275.9 million and ₱259.2 million as of December 31, 2025 and 2024, respectively, is being managed by the Bank's Trust Department. The transaction was made substantially on the same terms as with other individuals and businesses of comparable risks. Other than deposits with the Bank and trust fees, there were no other material transactions between the retirement fund and the Bank in 2025 and 2024. Deposits with the Bank amounted ₱4.8 million and ₱14.7 million in December 31, 2025 and 2024, respectively. The Bank earned ₱2.5 million and ₱2.2 million of trust fees for the years ended December 31, 2025 and 2024, respectively.

Refer to Note 20 for the details of the assets and investments of the retirement fund. The retirement fund of the Bank does not have investments in the shares of stock of the Bank.

Remuneration 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.



Compensation of key management personnel included under ‘Compensation and fringe benefits’ in the statements of income follows:

	2025	2024
Salaries and other short-term benefits	₱115,054,108	₱112,194,009
Post-employment benefits	9,559,295	9,658,612
	₱124,613,403	₱121,852,621

Other Related Party Transactions

Other related party transactions entered in the normal course of business were primarily regular banking transactions. The Bank settles its related party transactions in cash. The significant year-end account balances with respect to related parties included in the financial statements follow:

	<u>Outstanding Balance /Volume</u>		<u>Nature, Terms and Conditions</u>
	2025	2024	
<u>Parent Company</u>			
Due from other banks	₱45,923,220	₱52,092,610	Foreign currency demand deposit accounts, non-interest bearing and no impairment
Accounts receivable	7,560,721	186,953,364	Receivables related to the PPI Dacion (Note 9), for various administrative expenses, due on demand, non-interest bearing, unsecured and no impairment
Deposit liabilities	3,167,731,925	2,792,774,639	Savings, demand and time deposits
Bills payable	8,818,500,000	14,808,320,000	Short-term foreign currency borrowings
Accrued interest payable	21,453,770	16,942,158	Accrued interest expense on bills payable, subordinated debt and interest rate swaps
Subordinated debt	1,290,392,290	—	Direct, unconditional, unsecured and subordinated obligation of the Bank
Interest expense	574,694,151	575,590,068	Interest expense on interest rate swaps, bills payable, subordinated debt and deposit liabilities
<u>Other related parties</u>			
Accounts receivable	150,134,400	150,276,600	Receivables are secured by deposit hold-out and no impairment. Also includes various administrative expenses
Deposit liabilities	1,134,711,224	1,062,759,826	Savings, demand, and time deposits
Accrued interest payable	7,356	3,945	Accrued interest expense on time deposits
Interest expense	14,156,507	8,062,466	Interest expense on interest rate swaps, bills payable and deposit liabilities
Service charges, fees and commissions	72,277,622	99,750,179	Transaction fees from various services rendered including bancassurance fees
IT expenses	156,132,081	83,896,865	IT Support Services received from MSS
Accrued expenses	38,075,473	5,906,256	
Employee benefits	43,393,184	41,336,464	Life and medical insurance premiums for bank employees
<u>Retirement fund of the Bank</u>			
Deposit with the Bank	4,814,999	14,712,675	This deposit earns annual fixed interest rates ranging from 0.25% to 3.25%.
Interest income	112,670	207,608	

Other related parties are other companies owned and controlled by the Bank’s Parent Company.



Service fee income

On December 15, 2010, the Bank entered into an agreement with Maybank International Labuan Limited (MILL) whereby the Bank shall perform account management in its favor. This will include the conduct of annual review on the account and collection. The Bank shall charge MILL a service fee of 0.30% of the average US\$ value of loans and investments booked by MILL per annum beginning July 1, 2010 until such time that the agreement shall be terminated. Service fees earned from MILL amounted to ₱6.9 million and ₱32.9 million for the years ended December 31, 2025 and 2024, respectively.

On December 18, 2016, the Bank entered into a Bancassurance Agreement with Asianlife & General Assurance Corporation (*now Etiqa Life General Assurance Philippines (ELGAP)*), an entity under the common control of the Parent Company, for a period of ten (10) years. On February 10, 2021, the Bank entered into another Bancassurance Agreement with ELGAP for a period of 15 years. Under the Bancassurance Agreements, the Bank shall receive service fees and commissions for acting as ELGAP's distribution channel for its insurance products. Unearned bancassurance income as of December 31, 2025 and 2024 amounted to ₱333.3 million and ₱366.7 million, respectively. In 2025 and 2024, the Bank earned service fees and commissions amounting to ₱64.7 million and ₱66.2 million, respectively.

Life, health and medical insurance

On February 14, 2020, the Bank and ELGAP signed a Memorandum of Agreement (the MOA) designating the latter as the official life and health insurance provider for the Bank's employees and enrolled dependents effective January 1, 2020. In 2025 and 2024, the Bank paid a total insurance premium amounting to ₱43.3 million and ₱41.3 million, respectively.

IT Services

In 2014, MPI signed an agreement with Maybank Shared Services Sdn. Bhd. (MSS) wherein the latter would provide IT support services to MPI which are broadly categorized into IT Back Sourcing, IT Mandays, and Regional Projects or Information Technology Transformation Programme.

Subordinated Debt

On August 26, 2025, the Bank and the Parent Company entered into a subordinated loan agreement (the Agreement) whereby the Parent Company agreed to make a subordinated loan available to the Bank in the aggregate amount of ₱2.0 billion. The term of the subordinated loan shall be 10 years from the drawdown date.

Among the significant terms and conditions of the agreement are:

- (a) The subordinated debt shall constitute direct, unconditional, unsecured and subordinated obligation of the Bank. In the event of winding up or liquidation of the Bank, the claims of the Parent Company against the Bank in respect of the subordinated debt will be subordinated in right of payment to the claims of the depositors and all other unsubordinated creditors of the Bank and will rank at least *pari passu* in right of payment with all other subordinated obligations, present and future, of the Bank. However, claims in respect of the subordinated debt will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or expressed to rank in right of payment junior to the subordinated debt and all classes of equity securities of the Bank, including holders of common shares and preferred shares.
- (b) The Parent Company shall not be entitled to set off any amount it owes to the Bank against the subordinated loan.



- (c) The Bank has option to prepay, in full or in part, the subordinated loan on any call date provided that at least thirty (30) business days before the call date, a notice in writing shall be delivered to the Parent Company. Any such notice given by the Bank shall be irrevocable. On the call date, the Bank shall pay to the Parent Company the principal amount to be prepaid plus any accrued interest. Any prepayment shall be subject to the approval of the BSP.
- (d) The interest payable on the principal amount of the subordinated debt shall be at the initial interest rate, which is the sum of the initial spread and the initial benchmark rate. The Bank shall pay accrued interest on the outstanding subordinated loan every six (6) months and the first payment shall be six (6) months after the drawdown date.
- (e) The subordinated debt has a loss absorbency feature at the point of non-viability. As such, the subordinated debt can absorb losses upon the occurrence of a trigger event through a write-off mechanism. A non-viability trigger event is a deviation from a certain level of CET 1 Ratio, inability of the Bank to continue business, or any other event as may be determined by the BSP, whichever comes earlier.

Drawdowns from the subordinated debt are to be implemented in tranches of ₱500 million each, or any fractions thereof, depending on circumstances deemed by the Management as necessary and optimal. As of December 31, 2025, the following are the drawdowns from the aggregate ₱2.0 billion facility:

Drawdown Date	Amount *	Maturity Date	Interest Rate
August 27, 2025	₱500,000,000	August 27, 2035	7.16825%
November 20, 2025	800,000,000	November 20, 2035	6.68425%
	₱1,300,000,000		

* Amounts are subject to 0.75% documentary stamps tax

In 2025, interest expense on subordinated loans included in 'Interest expense on bills payable and other borrowings' amounted to ₱19.0 million.

29. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require 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. The effects of these arrangements are disclosed in the succeeding tables (amounts in thousands):

Financial Assets

Financial assets recognized at end of reporting period by type	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the statements of financial position	Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure
	[a]	[b]	[c] = [a] - [b]	[d]		[e] = [c] - [d]
December 31, 2025						
Derivative assets (Note 17)	₱9,594,909	₱9,554,067	₱40,842	₱—	₱—	₱40,842
December 31, 2024						
Derivative assets (Note 17)	₱3,302,847	₱3,285,300	₱17,547	₱—	₱—	₱17,547



Financial Liabilities

Financial liability recognized at end of reporting period by type	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the statements of financial position	Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure
	[a]	[b]	[c] = [a] - [b]	[d]		[e] = [c] - [d]
December 31, 2025						
Derivative liabilities (Note 17)	₱47,649,954	₱28,432,642	₱19,217	₱—	₱—	₱19,217
December 31, 2024						
Derivative liabilities (Note 17)	₱13,151,081	₱12,987,672	₱163,409	₱—	₱—	₱163,409

30. Notes to Statements of Cash Flows

Non-cash additions to investment properties and other properties acquired in settlement of loans amounted to ₱296.2 million and ₱1,301.2 million, and ₱356.8 million and ₱1,087.4 million, respectively, for the years ended December 31, 2025 and 2024, respectively.

Changes in liabilities arising from financing activities

	January 1, 2025	Cash flows	Others*	December 31, 2025
Bills payable	₱14,808,320,000	(₱5,989,820,000)	₱—	₱8,818,500,000
Subordinated debt	—	1,300,000,000	(9,607,710)	1,290,392,290
Lease liabilities	756,008,213	(252,279,499)	306,157,032	809,885,746
	₱15,564,328,213	(₱4,942,099,499)	₱296,549,322	₱10,918,778,036
	January 1, 2024	Cash flows	Others*	December 31, 2024
Bills payable	₱13,953,240,000	₱855,080,000	₱—	₱14,808,320,000
Subordinated debt	—	—	—	—
Lease liabilities	722,844,118	(241,524,070)	274,688,165	756,008,213
	₱14,676,084,118	₱613,555,930	₱274,688,165	₱15,564,328,213

* Others include unamortized origination costs for the subordinated debt, and accretion of interest on lease liabilities and subordinated debt and additional lease liabilities during the year

31. Events After the Reporting Period

On March 6, 2026, the Bank drew the last tranche from the subordinated debt facility with the Parent Company amounting to ₱700.0 million bearing interest of 6.43013% per annum.

32. Approval for the Release of the Financial Statements

The accompanying financial statements of the Bank were approved and authorized for issue by the BOD on April 14, 2026.



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

Presented below is the supplementary information required by BSP under Section 174 of the MORB to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

Basic quantitative indicators of financial performance

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

	2025	2024
Return on average asset (ROA)	(1.80%)	(0.88%)
Return on average equity (ROE)	(16.71%)	(7.81%)
Net interest margin over average earning assets (NIM)	4.23%	3.50%

Description of capital instruments issued

The Bank considers its capital stock and subordinated debts as capital instruments eligible as Tier 1 and Tier 2 capitals.

As of December 31, 2025 and 2024, the Bank has two classes of capital stock, preferred and common stock as shown below:

	Shares	Amount
Common stock - ₱35.0 par value		
Authorized	473,366,128	₱16,567,814,480
Issued and outstanding	294,666,977	10,313,344,184
Balance at the beginning and end of the period	294,666,977	10,313,344,184
Preferred stock - ₱3.7 par value		
Authorized	295,000,000	1,091,500,000
Issued and outstanding	64,355,294	238,114,588
Balance at the beginning and end of the period, net of subscriptions receivable of ₱5,574,864	62,848,617	232,539,724
	357,515,594	₱10,545,883,908

As of December 31, 2025, the Bank has subordinated debt with a carrying amount of ₱1.29 billion.

Significant credit exposures

The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are managed and controlled (amounts in thousands).

	December 31, 2025		December 31, 2024	
	Gross Amount	%	Gross Amount	%
Real estate activities	₱16,552,178	30.44%	₱19,378,691	30.89%
Wholesale and retail trade	6,919,679	12.73%	8,441,263	13.46%
Consumer	6,888,218	12.67%	6,468,629	10.31%
Transportation and storage	5,263,748	9.68%	5,142,504	8.20%
Other service activities	3,837,911	7.06%	5,228,950	8.34%
Public Administration, Defense, and Compulsory Social Security	2,707,392	4.98%	3,273,140	5.22%
Human health and social work activities	1,874,863	3.45%	1,865,176	2.97%
Construction	1,872,084	3.44%	2,264,243	3.61%

(Forward)



	December 31, 2025		December 31, 2024	
	Gross Amount	%	Gross Amount	%
Education	₱1,548,397	2.85%	₱1,699,334	2.71%
Financial and insurance activities	1,230,291	2.26%	1,191,175	1.90%
Manufacturing	1,202,739	2.21%	1,424,118	2.27%
Electric, gas, steam and air-conditioning supply	1,166,275	2.15%	1,624,074	2.59%
Agriculture, forestry and fishing	1,122,140	2.06%	1,455,930	2.32%
Accommodation and food service activities	993,694	1.83%	1,117,941	1.78%
Information and Communication	878,479	1.62%	1,107,778	1.77%
Water Supply, Sewerage, and Waste Management	173,795	0.32%	891,795	1.42%
Mining and quarrying	71,825	0.13%	81,663	0.13%
Arts, Entertainment, and Recreation	68,067	0.13%	77,712	0.12%
	₱54,371,775	100.00%	₱62,734,116	100.00%

Nonperforming loans

BSP Circular No. 941 requires banks to compute their net nonperforming loans (NPLs) by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

NPLs of the Bank are as follows:

	2025	2024
Gross NPLs	₱3,024,712,128	₱2,963,355,423
Less: Deductions as required by the BSP	2,027,235,854	2,156,231,783
	₱997,476,274	₱807,123,640

According to Section 304 of the MORB, loans are considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests 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.

Status of loans

Information on the amounts of performing and non-performing loans (NPLs) and receivables (gross of allowance for impairment and credit losses) of the Bank are as follows:

	2025			2024		
	Performing	Non-performing	Total	Performing	Non-performing	Total
Loans and discounts						
Corporate lending	₱2,755,342,611	₱1,467,446,486	₱4,222,789,097	₱5,446,218,313	₱1,265,430,957	₱6,711,649,270
Commercial lending	3,943,408,016	207,291,715	4,150,699,731	4,375,125,829	237,496,393	4,612,622,222
Consumer lending						
Auto	27,487,348,590	1,013,472,146	28,500,820,736	31,377,619,128	835,160,824	32,212,779,952
Housing	16,153,152,098	310,562,969	16,463,715,067	17,081,801,182	603,275,759	17,685,076,941
Others	1,007,811,975	25,938,812	1,033,750,787	1,489,996,114	21,991,490	1,511,987,604
	₱51,347,063,290	₱3,024,712,128	₱54,371,775,418	₱59,770,760,566	₱2,963,355,423	₱62,734,115,989



Loans per security

As of December 31, 2025 and 2024, secured and unsecured NPLs of the Bank are as follows:

	2025	2024
Secured	₱1,761,247,981	₱1,046,030,409
Unsecured	1,263,464,147	1,917,325,014
	₱3,024,712,128	₱2,963,355,423

The following table shows the breakdown of loans as to secured and unsecured and the breakdown of secured loans as to type of security (amounts in thousands):

	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Secured by:				
Chattel	₱25,471,481,601	46.85%	₱28,487,095,284	45.41%
Real estate	19,520,814,118	35.90%	21,134,205,406	33.69%
Deposit hold-out	378,585,872	0.70%	791,515,663	1.26%
	45,370,881,591	83.45%	50,412,816,353	80.36%
Unsecured	9,000,893,827	16.55%	12,321,299,636	19.64%
	₱54,371,775,418	100.00%	₱62,734,115,989	100.00%

Information on related party loans

In the ordinary course of business, the Bank enters into loans and other transactions with its affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks and are settled in cash.

The amount of individual loans to DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total regulatory capital or 15.00% of the total loan portfolio. As of December 31, 2025 and 2024, the Bank is in compliance with these regulatory requirements.

Section 342 of the MORB states that transactions covered for loans to be classified as loans to DOSRI, shall refer to transactions of the Bank which involve the grant of any loan, advance or other credit accommodation in any form whatsoever, whether renewal, extension or increase.

As of December 31, 2025 and 2024, the Bank does not have any outstanding loans to related parties and DOSRI

Secured Liabilities and Assets Pledged as Security

As of December 31, 2025 and 2024, the Bank does not have outstanding secured liabilities and assets pledged as security.



Commitments and contingencies

The following is a summary of contingencies and commitments of the Bank with the equivalent peso contractual amounts:

	2025	2024
Forward exchange bought	21,579,043,349	23,188,492,886
Forward exchange sold	21,576,746,014	23,382,004,423
Trust department accounts	8,064,879,059	8,458,539,125
Unused credit limits	3,936,660,658	5,375,823,383
Spot exchange bought	2,734,185,000	7,142,350,809
Spot exchange sold	2,733,850,000	7,140,010,000
Unused commercial letters of credit	1,858,567,179	1,096,043,591
Deficiency claims receivable	1,096,665,921	968,584,805
Outstanding guarantees	951,449,898	947,947,458
Inward bills for collection	211,446,330	261,492,571
Cross interest swap payable	99,943,000	127,259,000
Cross interest swap receivable	83,922,500	109,297,500
Late deposits and payments received	18,167,178	3,168,981
Outward bills for collection	7,252,493	10,830,754
Items held for safekeeping	86,741	502,718
Items held as collateral	5,655	6,435
Financial futures bought	—	375,992,500
Financial futures sold	—	462,760,000

34. Supplementary Information Required Under Revenue Regulations 15-2010

The BIR issued RR 15-2010, to amend certain provisions of RR 21-2002. The Regulations provide that the notes to the financial statements will include information on taxes and licenses paid or accrued during the taxable year.

To comply with the requirements set forth in RR 15-2010, the Bank reported and/or paid the following types of taxes during the period:

Gross receipts tax (GRT) and Documentary stamp tax (DST)

Under the Philippine tax laws, financial institutions are subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid by the Bank consist principally of GRT and DST.

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and licenses' account in the Bank's statements of income.

For the year ended December 31, 2025, GRT, DST and other taxes and licenses consist of the following:

GRT	₱359,765,408
DST	276,212,323
Local taxes	29,377,345
Real estate taxes	1,623,929
Others	6,233,789
	<u>₱673,212,794</u>



Withholding Taxes

Details of withholding taxes for the year ended December 31, 2025 are as follows:

	Total Amount Remitted
Final withholding taxes	₱417,032,426
Withholding taxes on compensation and benefits	262,383,210
Expanded withholding taxes	206,124,338
	₱885,539,974

Tax Assessments and Cases

Taxable year 2018

The Bank received the Final Decision on Disputed Assessment (FDDA) from the BIR on December 19, 2023 indicating the alleged deficiency taxes, inclusive of penalties for taxable year 2018 as follows:

Income tax	₱351,362,820
Gross receipts tax	2,293,050
Expanded withholding tax	5,667,764
Fringe benefits tax	5,353,070
Final withholding tax on interest	15,959,348
Documentary stamp tax	1,296,897,737
Compromise penalties	275,000
	₱1,677,808,789

As of December 31, 2025, the Bank's tax appeal before the Court of Tax Appeals (CTA) for the alleged deficiency tax assessment for taxable year 2018 is still pending. Management, based on consultation with the Bank's legal counsel, believes that the final settlement, if any, would not adversely affect the Bank's financial position or results of operations.

35. Supplementary Schedule of External Auditor Fee-Related Information Required Under SEC Memorandum Circular No. 18

In accordance with the disclosure requirement set forth in Securities and Exchange Commission (SEC) Memorandum Circular 18, Series of 2003, presented is the summary of the aggregate fees billed by the Company's external auditors for the fiscal years ended December 31, 2025 and 2024.

	2025	2024
Total audit fees	₱4,500,000	₱4,500,000
Non-audit services fee:		
Other assurance services	—	—
Tax services	—	—
All other services	—	—
Total non-audit fees	—	—
Total audit and non-audit fees	₱4,500,000	₱4,500,000



Audit and Non-audit Fees of Other Related Entities

	2025	2024
Total audit fees	₱1,212,500	₱1,212,500
Non-audit services fee:		
Other assurance services	—	—
Tax services	—	—
All other services	—	—
Total non-audit fees	—	—
Total audit and non-audit fees of other related entities	₱1,212,500	₱1,212,500

