



PHILTRUST BANK

A UNIVERSAL BANK

Trusted by generations

ANNUAL REPORT 2025



109th Annual Report

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MESSAGE TO STAKEHOLDERS

December 31, 2025

The year 2025 reaffirmed your Bank’s resilience and discipline. As the global economy moved from post-pandemic recovery toward a more normalized yet restrictive environment, challenges persisted—elevated interest rates, tighter financial conditions, uneven growth, and ongoing geopolitical uncertainties. These dynamics continued to test balance sheets and earnings across the industry. Against this backdrop, Philtrust Bank remained focused on prudent balance-sheet management, disciplined execution, and strengthening its core franchise, enabling us to navigate near-term pressures while building capacity for sustainable growth.

REVIEW OF BUSINESS ENVIRONMENT

Navigating a More Restrictive Landscape with Discipline and Focus

Operating environment in 2025 remained challenging as tighter monetary and financial conditions continued to influence economic activity both globally and domestically. While the Philippine economy sustained its underlying momentum, growth moderated amid higher borrowing costs, cautious investment sentiment, and external uncertainties. Domestic demand, supported by household spending, labor market resilience, and remittance inflows, continued to provide a measure of stability, even as financial conditions became more restrictive.

Inflation pressures eased and became more manageable during the year, supported by improved supply dynamics and the Bangko Sentral ng Pilipinas’ measured and proactive policy stance. At the same time, the extended period of elevated interest rates tempered credit demand and encouraged greater selectivity in borrowing and investment decisions across the economy.

Within this context, the banking industry remained sound. The sector continued to benefit from strong capital and liquidity positions, underpinned by prudent risk management and vigilant regulatory oversight. However, competition for funding intensified, margins came under pressure, and balance-sheet growth became more selective. Lending activity reflected greater risk discipline, while asset quality remained broadly stable as banks emphasized underwriting standards, recoveries, and portfolio quality.

Digitalization and innovation continued to reshape financial services. Banks sustained investments in digital platforms, enhanced customer experience, and strengthened partnerships across the financial ecosystem. The BSP’s ongoing digitalization initiatives continued to support efficiency, financial inclusion, and system resilience.

Against this backdrop, your Bank responded with discipline and focus. While operating conditions constrained rapid expansion, we prioritized balance-sheet strength, prudent risk management, and core client relationships. These actions reinforced resilience, preserved financial flexibility, and strengthened our foundations. Philtrust Bank closes the year more agile, more resilient, and better positioned to pursue sustainable, long-term value creation as conditions evolve.

REVIEW OF OPERATIONS

Delivering Value to Stakeholders

Disciplined performance amid a more challenging operating environment

In 2025, the Bank's profitability declined amid a more challenging operating environment marked by elevated funding costs, intensified competition, margin pressures, and the lack of significant one-off gains that had bolstered earnings in prior year. Against industry-wide headwinds, management remained focused on disciplined balance-sheet management, prudent risk taking, and rebalancing earnings toward sustainable sources of growth.

Total income reached ₱4 billion, 2.3% below the prior year's ₱4.1 billion. This was the outcome of an 8% increase in net interest income driven by robust loan growth, partly offset by a 38.4% contraction in non-interest income. While higher funding costs moderated the full impact of stronger interest income, the performance of core lending business underscored the Bank's underlying resilience. The decline in non-interest income largely mirrored a softer trading environment and fewer asset disposal opportunities that remain inherently volatile and market-driven.

Net income stood at ₱270 million, translating to a return on equity (ROE) of 1.2%.

Management intends to pursue more aggressively rebalancing asset mix toward higher-yielding, risk-managed loan assets in order to unlock greater profitability.

Philtrust Bank continues to uphold its traditional reputation for conservatism in the care of depositor funds while earning a reasonable return for investors. This overarching principle has guided your Bank in overcoming the challenges and seizing the opportunities over the 110 years of its existence.

Sustaining Business Growth Momentum

Loan growth gained traction, driven by more robust commercial lending

Loan growth remained robust in 2025, sustaining a double-digit trajectory driven primarily by stronger commercial lending. Building on Philtrust Bank's core strengths in the commercial and SME segments, the Bank enhanced front-line execution by expanding its account management group focused on business lending and new-to-bank client acquisition. These efforts translated into a 12.2% year-on-year expansion in the wholesale and enterprise loan portfolio, underpinned by higher commercial loan bookings.

Retail lending also continued to gain traction, supporting the strategic objective of portfolio diversification and a greater share of higher-margin assets. Retail loans—anchored by auto lending—grew 10.1% year-on-year, marking the fifth consecutive year of double-digit growth since the product's launch in 2020.

Together, these initiatives drove a 11.9% year-on-year increase in total gross loans and receivables, which reached ₱35.5 billion by end-2025, reinforcing the Bank's growth momentum despite a more challenging operating environment.

Resilient funding position amid heightened competition

In 2025, the deposit market remained intensely competitive, shaped by elevated interest rates and aggressive pricing across the industry. Against this backdrop, the Bank took a disciplined approach to funding, prioritizing liquidity resilience, margin protection, and balance-sheet efficiency over volume-driven deposit growth. Total deposits declined by 3.4%, to ₱146.4 billion from ₱151.6 billion in the prior year, reflecting the deliberate runoff of higher-cost and less stable funding.

The Bank leveraged its nationwide branch network—which grew with the opening of new branches—and digital channels such as Retail Internet Banking and cash management services to deepen client engagement across retail and institutional segments. While competitive conditions constrained broader deposit expansion, targeted retention initiatives and prudent pricing helped preserve a well-balanced funding mix aligned with our strategic objectives.

Despite the modest contraction in deposits, the Bank's liquidity position remained exceptionally strong. As of end-2025, liquid assets stood at 89.3% of total deposits, while regulatory liquidity metrics—the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)—remained well above minimum requirements at 515.1% and 354.0%, respectively. This robust liquidity buffer ensured that loan growth and balance-sheet expansion were fully supported, while maintaining resilience amid market volatility.

Upgrading Support Infrastructure

The rapid maturation of digital banking has redefined customer expectations, raising the bar for speed, reliability, security, and seamless access across channels. In response, 2025 marked a pivotal year in the Bank’s multi-year program to modernize its support infrastructure—one anchored on strengthening people, systems, and processes to sustain growth in an increasingly digital and competitive landscape.

During the year, the Bank accelerated investments in core platform modernization, process automation, and digital enablement across the branch network, while strengthening operational resilience and control environments. These initiatives reduced dependence on manual and legacy workflows, improved service consistency and turnaround times, and enhanced the Bank’s capacity to support expanding business volumes. More fundamentally, they reinforced cost discipline, operational resilience, and risk management—positioning the Bank to deliver more responsive, secure, and client-centric services while laying a scalable foundation for future growth.

ACKNOWLEDGMENT

The Board of Directors and Management extend their appreciation to Philtrust Bank’s stockholders, valued clients, and partners for their continued trust and confidence. We likewise acknowledge the dedication and professionalism of the Bank’s Officers and Staff, whose commitment and resilience continue to uphold the Bank’s long-standing standards of service and integrity.

As we move forward, we remain true to the principles that have sustained Philtrust Bank for over a century—prudence, integrity, and trust—while continuously adapting to meet the evolving needs of our stakeholders and the communities we serve.



JAIME C. LAYA
President



GEN. HERMOGENES C. ESPERON, JR. (Ret.)
Chairman

May 15, 2026

CORPORATE POLICY

Vision and Mission

Philtrust Bank motivated by its vision and mission aspires to exceed achievements in the past to maintain its status as a leading bank in asset stability, consistent profitable operation, reasonable return on investment, sufficient liquid position under any stress scenario and soundness of systems and internal controls. Bank's course of business is grounded on its belief that the business of banking is forever and a public trust and that as stewards of public funds, Philtrust Bank is not only accountable to its clientele but primarily to the Divine Providence, the source of all goodness.

The Bank's Brand

Philtrust Bank has been known for its conservatism, grounded on the principle that maintaining the safety of depositor funds is of the highest importance. Its corporate maxim of minimum risk to, and absolute protection of, public funds has attracted numerous loyal clients. Bank staff firmly believes that its multitude of dependable clients have valued Bank's personal service and healthy balance of liquid assets; high asset and loan portfolio quality; and a solid capital base. To its century of banking service to its growing clientele and other stakeholders, Bank Directors, Officers and Staff addresses its message, "We value your Trust and Confidence."

Business Model

The Bank offers traditional banking services including deposit products denominated in Philippine pesos and US dollars; a range of loan products designed to meet the needs of individuals, entrepreneurs and corporate entities; foreign currency transactions including foreign letters of credit and remittances; trust services including fund management, handling escrow arrangements, and guardianship services; and other allied banking services.

The Bank follows the traditional scheme of accepting deposits from customers and, together with capital invested by stockholders, investing them to loans and debt instruments. Profits are earned primarily through interest spread; trading activities; fees and commissions for supplementary services rendered; and sale of acquired assets. The Bank serves its clients through its 63 branches nationwide, including its Head Office.

BOARD OF DIRECTORS

Hermogenes C. Esperon, Jr., Chairman of the Board/Independent Director

General Hermogenes C. Esperon, Jr. (Retired), 73 years old is a graduate of the Philippine Military Academy (PMA) in 1974. He finished his Master in Business Administration and Master in Public Administration from the University of the Philippines and Philippine Christian University respectively. He occupied various sensitive positions in both military and civilian arm of the government, among them: Chief of Staff, Armed Forces of the Philippines (AFP); Chairman, National Intelligence Board; Secretary, Presidential Management Staff and National Security Adviser and Director General, National Security Council. He also became Chairman of the Board of various financial institutions within the AFP namely: AFP RSBS; AFPSLAI, AFPMBAI and AFIGIC. He has also served as a Director of Bancnet since June 2024.

Jaime C. Laya, Vice Chairman of the Board

Dr. Jaime C. Laya is Filipino, 86 years old. He is a Certified Public Accountant and a Ph.D. in Financial Management. He is former Governor of the Central Bank of the Philippines (now Bangko Sentral ng Pilipinas) and Chairman of the Monetary Board from 1981 to 1984. He is currently an Independent Director of GMA Network, Inc. and GMA Holdings, Inc. He also serves as Chairman of the Board of Trustee of the Cultural Center of the Philippines and Filipinas Opera Society Foundation, Inc.; Vice Chairman of Society for Cultural Enrichment, Inc.; Member/Board of Advisers of Ayala Museum; and Trustee of Metropolitan Museum of Manila, Yuchengco Museum, Escuela Taller Foundation of the Philippines, Inc., Fundacion Santiago, Cofradia De La Inmaculada Concepcion, Museo Del Galeon, Inc., and American Historical Collection Foundation, Inc. He is also a columnist of the Manila Bulletin.

Josue N. Bellosillo, Vice Chairman of the Board and Corporate Counsel

Justice Josue N. Bellosillo (Retired) is Filipino, 92 years old. He is a retired Senior Justice of the Supreme Court of the Philippines and is currently Dean of the Centro Escolar University – School of Law and Jurisprudence.

Emilio C. Yap III, Vice Chairman of the Board

Emilio C. Yap III is Filipino, 54 years old. He holds a Ph.D. in Journalism and in Business Administration (Honoris Causa). He is the Vice-Chairman and President of Manila Bulletin Publishing Corporation, U.S. Automotive Co., Inc., USAUTOOCO, Inc., Philtrust Realty Corporation, Cocusphil Development Corporation, Manila Prince Hotel Corporation, U.N. Properties Development Corporation; Chairman of Manila Prime Land Holdings, Inc., Park & Shop, Inc., Maynila Properties, Lumera Tower Condominium, Inc., and Qubix Residences Condominium Corporation; Vice Chairman of Manila Hotel Corporation; Director of Centro Escolar University, MH F&B Ideas, Inc., TMH Transport Limousine Services, Inc., and Sunny Tropical Island Holdings, Inc.; Director/Vice President of Orient Enterprises, Inc.; and Director/Vice President/Treasurer of Seabreeze Enterprises, Inc.

Hilario G. Davide, Jr., Director

Chief Justice Hilario G. Davide, Jr. (Retired) is Filipino, 90 years old. He served as Chief Justice of the Supreme Court of the Philippines (1998-2005) and Ambassador and Permanent Representative of the Philippines to the United Nations. He is an Independent Director and Vice-Chairman of Manila Bulletin Publishing Corporation; Chairman of Claudio Teehankee Foundation, Inc., and Heart of Francis Foundation, Inc.; Vice Chairman of Kompas Credit and Financing Corporation; Trustee of Knights of Columbus Fr. George J. Willmann, SJ Charles, Inc. and Knights of Columbus of the Philippines Foundations, Inc.; Supreme Commander Emeritus of Knights of Rizal; and Member of Knights of Rizal Council of Elders.

Calixto V. Chikiamco, Independent Director

Mr. Calixto V. Chikiamco is Filipino, 75 years old. He finished Economics degree from DLSU in 1972 and a Masters in Professional Studies in Media Administration from Syracuse University New York. He is a Founder/President of MRM Studios, Inc.; Founder/Chairman of Mobilemo, Inc.; Vice Chairman of CBY, Inc.; Director of Golden Sunrise, Inc., APMC, Institute of Development and Econometric Analysis, Inc., and Heirs of Calixto Chikiamco, Inc.; President of Foundation for Economic Freedom, Four Seas Trading, Inc., and Trinity Capital Holdings; and Consultant of The Asia Foundation.

Maria Georgina P. De Venecia, Independent Director

Mrs. Maria Georgina De Venecia is Filipino, 76 years old. She finished her Banking and Finance and Economics Degree from Assumption College. She is an Independent Director of

Manila Bulletin Publishing Corporation; Chairman of INA Foundation, Inc., and a Congresswoman of House of Representatives, Pangasinan, Fourth District from 30 June 2025 to present.

Beatrice Jane L. Ang, Independent Director

Dr. Beatrice L. Ang is Filipino, 44 years old. She finished her BSC major in Biology at UP-Diliman and Doctor of Medicine Degree at St. Lukes College of Medicine-William Quasha Memorial. She also earned her Master of Business Administration (MBA) in General Management at the Northwestern University and Hongkong University of Science and Technology. She is currently director of several companies, administrator in a medical foundation and commissioner in a relief organization. She is also the Honorary Consul of Ukraine.

Ernesto O. Chan, Director

Ernesto O. Chan is Filipino, 79 years old. He is the Chairman/Treasurer of Pioneer Insurance and Surety Corporation and Pioneer Intercontinental Insurance Corporation; and Director/Treasurer of Bancasia Finance and Investment Corporation and Bancasia Capital Corporation.

Miriam C. Cu, Director and Senior Vice President

Miriam C. Cu is Filipino, 66 years old. She is a Certified Public Accountant. She is a Director/Treasurer of Orient Enterprises, Inc.; Director/Corporate Secretary of Seabreeze Enterprises, Inc.; and Director of G.A. Cu Unjieng Realty, Inc.

Benjamin C. Yap, Director

Benjamin C. Yap is Filipino, 79 years old. He is the Chairman and President of Benjamin Favored Son, Inc.; Chairman of House of Refuge Foundation; and a Director of U.S. Automotive Co., Inc., USAUTO CO, Inc., Manila Hotel Corporation, Centro Escolar University, Seabreeze Enterprises, Inc., Philtrust Realty Corporation, Euro-Med Laboratories Phil., Inc., Manila Prince Hotel Corporation, U.N. Properties Development Corporation, and Manila Bulletin Publishing Corporation.

Tomas V. Apacible, Director

Tomas V. Apacible has been with Philtrust Bank since 2010 in various Board positions as Independent Director, Regular Non-Executive Director, and Board Consultant until his appointment as Executive Vice President starting June 1, 2026. He graduated from San Beda College in 1966 Bachelor of Arts, major in Philosophy (magna cum laude) and was a member of AIM MBM class 1971. From April 1986, under President Corazon C. Aquino's administration, he served as Senior Governor and Board Director of Development Bank of the Philippines until his appointment as Undersecretary of Finance in 1990 and as Commissioner, Bureau of Customs in November, 1991 up to June 30, 1992. In 1997, he was appointed Land Bank of the Philippines Director representing the private sector and served as Vice-Chair, Loans Executive Committee until 2002. In 2010, he was elected Representative, 1st district of Batangas and member, 15th Congress until 2013. In the private sector, he was Managing Partner, Management Dynamics Corp. (1971-1976), Senior Vice President of Manila Bulletin 1992-1997, President of Trust International Paper 2002-2005; Independent Director, Philippine Stock Exchange 2003-2005; Interim Chief Executive Officer, Institute of Corporate Directors; President, Green Peaks Environmental Services, Inc. and former Trustee and presently Adviser, Philippine Cancer Society.

Agnes B. Urbano, Assistant Corporate Secretary

Atty. Agnes B. Urbano is Filipino, 64 years old. She holds an LL.B. degree and is a First Vice President of the Bank.

Renniel C. Mailom, Assistant Corporate Secretary

Atty. Renniel C. Mailom is Filipino, 51 years old. He holds a Juris Doctor degree and is a Senior Assistant Manager of the Bank.

SENIOR OFFICERS

Name		Position	Department/Branch	Nationality
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Treasury and Cash Operations

Benito D. Chua		Vice-President	Money Market Dept.	Filipino
Age	69			
College Degree/Profession	BSBA			
Years in the Bank	43			

Loans & discounts and Credit Operations

Atty. Nemesio M. Domingo		First-Vice-President	Credit Department	Filipino
Age	64			
College Degree/Profession	BS Criminology, LLB			
Years in the Bank	36			

Josephine Y. Ang		Vice-President	Loans and Discounts Department	Filipino
Age	68			
College Degree/Profession	BSC-CPA			
Years in the Bank	44			

Atty. Jane D. Laplana Suarez		Senior Vice-President	Legal and Collection Department	Filipino
Age	52			
College Degree/Profession	AB-Pol Sc. LLB			
Years in the Bank	26			

International and FCDU

Corazon L. Ho		Sr. Vice-President	FCDU Department	Filipino
Age	75			
College Degree/Profession	BSBA - CPA			

Years in the Bank

43

Cesar M. Esponilla

74
BSC
Accounting
52

 Vice-President International Department Filipino

Deposits and CASA Operations

Emmanuel M. Sales

61
BSC-
Accounting
37

 Sr. Asst. Vice-President New Accounts Dept. Filipino

Comptroller/Finance Operations

Luisa A. Lucin

69
BSC CPA
43

 Sr. Vice-President Accounting Department Filipino

Human Resources and Administrative Operations

Victoria C. Lu

75
BSBA-CPA
15

 Sr. Vice-President Property/Purchasing Department Filipino

Cherry M. Lim

67
BS-Psychology
45

 Vice-President Personnel Department Filipino

B Gen. Ramiro G.
Busalanan

Age
College
Degree/Profession
Years in the Bank

69
BS Criminology
12

Vice-
President

Security Department Filipino

Corporate Planning

Benedicto F. Borlado

Age
College
Degree/Profession
Years in the Bank

56
BSME
4

First Vice-
Pres.

Corporate Planning
Dept. Filipino

Compliance, Internal Control & Risk Management

Amelita G. Cua

Age
College
Degree/Profession
Years in the Bank

62
BSBA / CPA / MBA
40

Vice-
President

Internal Audit Dept. Filipino

Judy Rosario G. Cam

Age
College
Degree/Profession
Years in the Bank

71
BSA / CPA / MBA
2

Vice-
President

Compliance
Department Filipino

Arlene O. Lazarte

Age
College
Degree/Profession
Years in the Bank

60
BSCA / CPA / MBA
5 months

Vice-
President

Risk Management Filipino

Information Security

Roselo D. Pamaylaon

Senior
Assistant
Vice
PresidentInformation Security
Department

Filipino

Age
College
Degree/Profession
Years in the Bank

48
BSA / CPA / CISO
26

Information Technology

Bryan Joseph A. Lopez

Vice
PresidentInformation
Technology Group

Filipino

Age
College
Degree/Profession
Years in the Bank

45
BCSIT
1 year, 8 months

Project Management

Eric C. Macalintal

Vice
PresidentProject Management
Office

Filipino

Age
College
Degree/Profession
Years in the Bank

61
BS Math / MS Information Systems
1 month

Trust

Hazel M. Navarro

Vice-
President

Trust Department

Filipino

Age
College
Degree/Profession
Years in the Bank

51
BSC
2

Other Officers

Virginia S. Choa-Shi

Executive
Vice-
President

Grace Park Branch

Filipino

Age
College
Degree/Profession

70
BSC / CPA

Years in the Bank | 45 |

Chai Sen D. Uy

Senior Vice-
President

Cebu Branches

Filipino

Age	80
College Degree/Profession	BSC
Years in the Bank	17

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of December 31, 2025

Philtrust Bank's total assets stood at ₱171.35 billion as of end-2025, reflecting a measured 2.3% adjustment from ₱175.47 billion in 2024. This was largely driven by a deliberate rebalancing of the asset portfolio, with reductions in lower-yielding investment securities offset by growth in higher-yielding loans, SPURA, and placements with BSP and other banks.

This repositioning underscores the Bank's focus on enhancing asset yields and improving earning efficiency, supporting a more resilient and income-generating balance sheet despite the modest decline in total assets.

Deposit outflows amid intensified market competition and the impact of tax changes tempered overall balance sheet expansion, more than offsetting capital growth during the year. Nonetheless, the Bank effectively mitigated funding pressures through timely liquidity releases from maturing investments and the BSP's RRR reduction, which supported continued expansion in higher-yielding loan assets. Excess liquidity from these maturities, after funding loan growth, was prudently redeployed into BSP facilities, reflecting disciplined and tactical liquidity management rather than structural weakness.

As a result, liquid assets declined by 8.5% to ₱122.21 billion, largely due to the non-replacement of maturing investment securities, which accounted for approximately 18% of the liquid asset base. At the same time, increased placements with the BSP indicate the Bank's flexibility in managing short-term liquidity while optimizing asset allocation toward higher-yielding opportunities. Despite this measured rebalancing, the Bank maintained a strong liquidity position relative to industry peers, supported by a prudent balance sheet structure and robust risk management framework.

The Bank's gross loans and receivables portfolio sustained its strong growth momentum, expanding by 11.4% or ₱3.86 billion to ₱37.6 billion. Growth was driven by increased lending across key productive sectors, including trading, manufacturing, construction, financial intermediaries, information and communication, and agriculture, reflecting broader participation in economic activity. Excluding accrued income and other receivables, loans to customers grew by 11.9%, marking the third consecutive year of double-digit expansion.

This sustained growth highlights the Bank's continued success in deepening core lending relationships while broadening its sectoral exposure, reinforcing a well-diversified and resilient credit portfolio. Since entering the consumer lending space in 2020, the Bank has also steadily expanded its retail loan base, further strengthening portfolio balance and reducing reliance on traditional corporate and SME segments. This ongoing diversification, combined with consistent loan growth, positions the Bank to capture higher-yielding opportunities and enhance risk-adjusted returns over the medium term.

Amid a high-interest rate environment and intensified market competition, the Bank's deposits stood at ₱146.41 billion, reflecting a 3.4% decline year-on-year. The movement was largely driven by outflows in higher-cost savings and time deposits, as upward pressure on interest rates heightened retention challenges across the industry.

Despite these headwinds, the Bank maintained funding stability through disciplined pricing and targeted client engagement initiatives, enabling a more selective and cost-conscious approach to deposit growth. Notably, the CASA ratio improved to 11% from 9.4%, reflecting a gradual shift toward a more stable and lower-cost funding base.

This improvement highlights the Bank's ongoing efforts to optimize its liabilities mix, positioning it to better manage funding costs and support margin resilience, even in a competitive and rising rate environment.

Total equity increased by 5.2% to ₱23.85 billion, up from ₱22.68 billion in the previous year, reflecting the Bank's continued strengthening of its capital base. The growth was primarily driven by lower unrealized mark-to-market losses on financial assets measured at FVOCI, supported by more favorable movements in market interest rates, alongside the year's solid accumulation of retained earnings.

Total equity increased by 5.2% to ₱23.85 billion, up from ₱22.68 billion the previous year. The increase was mainly due to lower unrealized mark-to-market losses on financial assets measured at FVOCI, reflecting favorable movements in market interest rates. This complemented the year's increase in retained earnings.

Net income for 2025 reached ₱270 million, lower by 56.0% from ₱614 million in the previous year, as weaker non-interest income and higher operating expenses more than offset gains from improved funding costs and lower tax expense.

Total income stood at ₱4.0 billion, a modest 2.3% decline from ₱4.1 billion in 2024, reflecting a shift in income mix toward core, interest-driven revenues. Net interest income grew by 8%, supported by sustained loan expansion, underscoring the resilience of the Bank's core lending business. This was partly offset by a 38.4% decline in non-interest income, primarily due to a softer trading environment and fewer asset disposal gains, which are inherently market-driven and non-recurring.

Operating expenses rose, reflecting continued investments in people and infrastructure—particularly workforce expansion, wage adjustments, and elevated depreciation and administrative costs. Meanwhile, provisions for credit and impairment losses increased following ECL model recalibration, signaling a more conservative recognition of credit risk.

Overall, while earnings softened year-on-year, the Bank's performance reflects a more normalized operating environment, with results anchored on stable core lending income and supported by ongoing investments to strengthen long-term growth capacity. The shift toward recurring interest-based earnings positions the Bank to deliver more sustainable and resilient profitability over time, notwithstanding short-term volatility in market-driven income streams.

FINANCIAL HIGHLIGHTS

For the years 2025 and 2024

Amounts in Thousands for Profitability and Selected Balance Sheet

Minimum Required Data		Consolidated	
		Current Year	Previous Year
Profitability			
	Total Net Interest Income	3,417,915	3,165,490
	Total Non-Interest Income	556,209	903,571
	Total Non-Interest Expenses	2,598,426	2,537,743
	Pre-provision profit	1,375,698	1,531,318
	Allowance for credit losses	118,027	(292,227)
	Net Income	269,918	614,013
Selected Balance Sheet Data			
	Liquid Assets	122,210,189	133,518,060
	Gross Loans	37,598,151	33,742,094
	Total Assets	171,354,030	175,471,176
	Deposits	146,408,219	151,557,824
	Total Equity	23,849,406	22,676,179
Selected Ratios			
	Return on equity	1.17%	2.70%
	Return on assets	0.16%	0.30%
	CET 1 capital ratio	32.38%	33.78%
	Tier 1 capital ratio	32.38%	33.78%
	Capital Adequacy Ratio	32.94%	34.18%
Per common share data			
	Net income per share:		
	Basic	0.27	0.61
	Diluted		
	Book Value	23.85	22.68
Others			
	Cash Dividends declared	-	-
	Headcount	927	902
	Officers	465	439
	Staff	462	463

MAJOR BUSINESS SEGMENTS

Amounts in Thousands

	2025		
	Treasury Group	Lending Group	Total
Segment Revenue			
Interest income from treasury operations	6,212,738		6,212,738
Interest income from lending operations		2,330,138	2,330,138
Other income	508,304	47,905	556,209
Interest expense	-5,126,547		-5,126,547
Provision for credit and impairment losses	-718	-117,309	-118,027
	1,593,777	2,260,734	3,854,511
Compensation and employee benefits	-950,852	-92,900	-1,043,752
Income tax expense	-987,753		-987,753
Segment Operating Profit (Loss)	-344,828	2,167,834	1,823,006
Unallocated expenses:			
Occupancy and equipment-related			-230,048
Other operating expenses			-1,323,040
			269,918
Segment Assets	134,863,908	36,490,122	171,354,030

	2024		
	Treasury Group	Lending Group	Total
Segment Revenue			
Interest income from treasury operations	7,439,197		7,439,197
Interest income from lending operations		2,229,102	2,229,102
Other income	628,397	194,570	822,967
Interest expense	-6,502,809		-6,502,809
Provision for credit and impairment losses	-5,454	297,681	292,227
	1,559,331	2,721,353	4,280,684
Compensation and employee benefits	-943,979	-56,452	-1,000,431
Income tax expense	-1,209,532		-1,209,532
Segment Operating Profit (Loss)	-594,180	2,664,901	2,070,721
Unallocated expenses:			
Occupancy and equipment-related			-200,874
Other operating expenses			-1,255,834
			614,013
Segment Assets	142,639,890	32,831,286	175,471,176

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

As of Dates Indicated
(in Php 0.000 Millions)

		31-Dec-25	31-Dec-24	31-Dec-23
I. QUALIFYING CAPITAL				
	TIER 1 CAPITAL			
(1)	Paid-up common stock	10,000	10,000	10,000
(2)	Common stock dividends distributable			
(3)	Additional paid-in capital			
(4)	Deposit for common stock subscription			
(5)	Retained earnings	15,982	15,529	14,597
(6)	Undivided profits	453	626	1,175
(7)	Other comprehensive income (Sum of A.1(7)(i) to A.1(7)(viii))	(3,030)	(3,928)	(2,827)
	(i) Net unrealized gains or losses on Financial Assets at FVOCI	(3,249)	(4,158)	(3,047)
	(ii) Realized and Cumulative Gains/(Losses) on Equity Securities Designated at FVOCI	-		-
	(iii) Cumulative foreign currency translation	212	223	213
	(iv) Remeasurements of Net Defined Benefit Liability/(Asset)	7	7	7
	(v) Gains/(Losses) on Fair Value Adjustments of Hedging Instruments			
	(a) Cash Flow Hedge			
	(b) Hedge of a Net Investment in Foreign Operations			
	(vi) Net Unrealized Gains/(Losses) on Financial Liabilities at FVPL Attributable to Changes in Bank's Own Credit Risk			
	(vii) Others			
(8)	Non-Controlling interest in subsidiary banks which are less than wholly-owned			
	TOTAL TIER 1 CAPITAL	23,405	22,228	22,945
	Regulatory Adjustments / Deductions			
(1)	Common stock treasury shares			
(2)	Unbooked valuation reserves and other capital adjustments based on the latest report of examination as approved by the Monetary Board			897
(3)	Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)		23	23
(4)	Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries			-
(5)	Total outstanding loans, other credit accommodations and guarantees granted to related parties that are not at arm's length terms as determined by the appropriate supervising department of the Bangko Sentral			-
(6)	Deferred tax assets	370	372	545
(7)	Goodwill	-		-
(8)	Other intangible assets	26	26	22
(9)	Gain on sale resulting from a securitization transaction	-		-
(10)	Defined benefit pension fund assets (liabilities)	(2)	(3)	(3)
(11)	Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)			
(12)	Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)			

(13)	Significant non-controlling investments (10%-50% of of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)			
(14)	Significant non-controlling investments (10%-50% of of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)			
(15)	Non-controlling investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for both solo and consolidated bases)			
(16)	Non-controlling investments (below 10% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)			
(17)	Other equity investments in non-financial allied undertakings and non-allied undertakings			
(18)	Capital shortfalls of unconsolidated subsidiary securities dealers/brokers and insurance companies (for both solo and consolidated bases and as applicable)			
(19)	Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)			
(20)	Materiality thresholds in credit derivative contracts purchased			
(21)	Credit-linked notes and other similar products in the banking book with issue ratings below investment grade			
(22)	Securitization tranches and structured products which are rated below investment grade or are unrated			
(23)	Credit enhancing interest only strips in relation to a securitization structure, net of the amount of "gain-on-sale" that must be deducted from CET1 capital			
(24)	"Net Due From" account			
	TOTAL REGULATORY ADJUSTMENTS/ DEDUCTIONS	394	418	1,483
	NET TIER 1 CAPITAL	23,011	21,810	21,463
	TIER 2 CAPITAL			
(1)	Instruments issued by the bank that are eligible as Tier 2 capital (Sum of B.1(1)(i) and B.1(1)(ii))			
	(i) Limited life preferred shares			
	(ii) Other limited life capital instruments			
(2)	Deposit for subscription of T2 capital			
(3)	Appraisal increment reserve – bank premises, as authorized by the Monetary Board			
(4)	General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	402	256	525
(5)	Non-controlling interest in subsidiary banks which are less than wholly-owned			
	TOTAL TIER 2 CAPITAL	402	256	525
	NET GROSS QUALIFYING CAPITAL	23,413	22,066	21,987

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

As of Dates Indicated
(in Php 0.000 Millions)

	<u>31-Dec-25</u>	<u>31-Dec-24</u>	<u>31-Dec-23</u>
II. Risk Weighted Assets			
Credit Risk Weighted Assets			
Risk Weight	58,292	42,464	40,740
Capital Requirement (10%)	5,829	4,246	4,074
Market Risk Weighted Assets			
Risk Weight	5,080	4,699	4,802
Capital Requirement (10%)	508	470	480
Operational Risk Weighted Assets			
Risk Weight	7,700	6,727	5,248
Capital Requirement (10%)	770	673	525
Total Capital Requirement	7,107	5,389	5,079
Required Capital Charge	10%	10%	10%
Total Risk Weights	<u>71,072</u>	<u>53,889</u>	<u>50,791</u>
III. Total Capital Adequacy Ratio	<u>32.94%</u>	<u>40.95%</u>	<u>43.29%</u>

PHILLIPPINE TRUST COMPANY (PHILTRUST BANK)

Reconciliation Statement

December 31, 2025

	SUBMITTED REPORT	AUDITED	VARIANCE	REMARKS
ASSETS				
Cash and other cash items	921,525,040	922,061,040	536,000	To reclassify petty cash fund.
Due from Bangko Sentral ng Pilipinas (BSP)	17,223,530,291	17,223,530,291	-	
Due from other banks	1,513,591,363	1,513,591,379	15.87	Difference in the number of decimal places for exchange rates
Securities purchased under resale agreement	8,550,000,000	8,550,000,000	-	
Investment securities	102,551,006,927	102,551,006,979	52.91	Difference in the number of decimal places for exchange rates
Loans and receivables	34,728,045,063	34,468,391,597	(259,653,466)	Reclassification of receivable from sale of equity securities from other assets, adjustments on gain on disposal of ROPA, and adjustments for provision on the allowance for credit and impairment losses.
Bank's premises, furniture and equipment	3,149,597,013	3,214,652,914	65,055,901	Adjustments pertain to: 1. To roll retained earnings 2. To reclassify balances to its proper accounts
Investment properties	1,680,909,585	2,146,401,708	465,492,123	Adjustments pertain to: 1. Recognize gain on foreclosure for the year 2. To recognize prudential difference pertaining to gain on foreclosure recognized in prior years 3. To reclassify chattel to its proper account 4. To adjust gain on disposal
Deferred tax assets	370,229,105	367,610,849	(2,618,256)	To recognize the deferred tax from the movements of the recognized and unrecognized DTA (i.e. allowance for credit and impairment losses, allowance for impairment losses on ROPA)
Other assets	382,732,814	396,782,664	14,049,850	To reclassify receivable from sale of equity securities to loans and receivables.
	171,071,167,200	171,354,029,420	282,862,220	
LIABILITIES AND EQUITY				
Deposit liabilities	146,408,219,777	146,408,219,777	-	
Accrued taxes, interest and other expenses	344,762,515	336,331,997	(8,430,518)	To reduce accrual for profit-sharing based on audited amounts
Managers check and demand drafts outstanding	103,865,971	103,865,971	-	
Deferred revenue	-	106,683,780	106,683,780	To defer the income on BSP Bills recorded in 2025 but to be received in 2026
Lease liabilities	-	115,839,161	115,839,161	Adjustments to: 1. Reclassify lease liabilities from other liabilities 2. To recognize new lease liability 3. To record additional amortization and interest expense
Other liabilities	720,509,711	433,684,078	(286,825,633)	To reclassify lease liabilities from other liabilities.
Total Liabilities	147,577,357,974	147,504,624,764	(72,733,210)	
Equity				
Share Capital	10,000,000,000	10,000,000,000	-	
Reserves	164,064,352	161,721,686	(2,342,666)	To adjust the GLLP based on the provision of ECL.
Surplus	16,359,661,569	16,723,242,735	363,581,166	Adjustments to: 1. Recognition of prudential difference pertaining to gain on foreclosure recognized in prior years to tie up retained earnings with prior year audited balance 2. Adjustments on reserves (trust and GLLP) 3. Adjustments related to income statement
Other equity reserves	-	3,029,916,695	(5,643,070)	Correction of exchange rate used
Total Equity	23,493,809,226	23,849,404,656	355,595,430	
	171,071,167,200	171,354,029,420	282,862,220	

Reconciliation Statement December 31, 2025

	SUBMITTED REPORT	AUDITED	VARIANCE	REMARKS
INTEREST INCOME				
On investment securities	5,930,483,222	5,796,533,513	(133,949,709)	To defer the income on BSP Bills recorded in 2025 but to be received in 2026
On loans and receivables	2,243,562,625	2,242,204,617	(1,358,008)	Adjustments to: 1. Adjust gain on disposal of ROPA 2. Rollforward of retained earnings
On deposits with BSP and other banks	255,284,089	255,244,356	(39,733)	
On reverse repurchase	160,960,588	160,960,588	-	
Interest income - Others	87,933,687	87,933,687	-	
	8,678,224,211	8,542,876,761	(135,347,450)	
INTEREST EXPENSE				
	5,162,416,761	5,124,961,029	(37,455,732)	Reclassification of interest expense on lease liability to other operating expense
NET INTEREST INCOME				
	3,515,807,450	3,417,915,732	(97,891,718)	
PROVISIONS FOR CREDIT LOSSES				
	4,436,256	118,027,214	113,590,958	Adjustments: 1. To recognize additional provision of allowance for credit and impairment losses based on the review of the ECL model. 2. To reclassify provision for PBCOM shares 3. To adjust GLLP due to the effect of 2025 ECL provision
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES				
	3,511,371,194	3,299,888,518	(211,482,676)	
OTHER INCOME				
Foreign exchange gain- net	165,319,148	165,302,584	(16,564)	
Service charges and commission	71,152,642	71,042,600	(110,042)	
Gain on sale of AFS financial assets	58,405,968	58,405,968	-	
Gain on sale of investment property	47,939,984	31,671,193	(16,268,791)	Adjustments: 1. To adjust gain on disposal of ROPA 2. To carve out gain or loss on foreclosure/disposal of assets held for sale
Gain on foreclosure of real and other properties acquired	-	16,370,120	16,370,120	To recognize gain on foreclosure of properties during the year
Other operating income - net	213,801,334	213,415,553	(385,781)	Adjustments to derecognize depreciation on assets held for sale
	556,619,076	556,208,018	(284,452)	
OTHER EXPENSE				
Compensation and employee benefits	1,052,176,256	1,043,752,182	(8,424,074)	To reduce accrual for profit-sharing based on audited amounts and record retirement expense.
Occupancy and equipment-related expenses	227,239,023	230,047,684	2,808,661	Adjustments to record amortization of right-of-use asset for the new/renewed lease contract. Adjustments mainly pertain to: 1. To correct recorded amount for supervision fees
Other operating expenses	1,319,599,383	1,324,625,646	5,026,263	2. Reclassification of interest expense on lease liability.
	2,599,014,663	2,598,425,512	(589,151)	
INCOME BEFORE TAX				
	1,468,975,608	1,257,671,024	(211,304,584)	
INCOME TAX EXPENSE				
	1,016,120,164	987,753,231	(28,366,933)	Adjustments: 1. To reclassify CWT recorded starting July 1, 2025 per RR 21-2025 2. To record provision for income tax for the year and recognize the prepayment for final Overall currency translation difference due to correction of exchange rate used for FCDO accounts
NET INCOME				
	452,855,444	269,917,793	(182,937,651)	

RISK EXPOSURES

Credit Risk
As of December 31, 2025
(In PhP 0.000 Millions)

Risk Weighted Assets	Total Assets	Booked Valuation Reserves	Net Book Value	Risk Mitigant ^{1/}	Net Risk Weighted Assets	Total Credit Risk Weighted Assets
Cash and Due from Banks	19,659	-	19,659	-	19,659	401
Financial Assets at FVOCI	18,601	-	18,601	-	18,601	9,619
Debt Securities at Amortized Cost	83,969	19	83,950	-	83,950	9,364
Loans and Receivables	44,051	2,466	41,586	1,495	40,090	30,774
Sales Contract Receivable	1,662	-	1,662	-	1,662	2,183
ROPA	1,689	8	1,681	-	1,681	2,521
Other Assets	4,142	3	4,139	-	4,139	3,505
Total on Balance Sheet	173,773	2,496	171,277	1,495	169,782	58,278
Total Off Balance Sheet	1,514	-	1,514	-	1,514	14
Total Credit Risk	175,287	2,496	172,791	1,495	171,296	58,292
Less: Unbooked Valuation Reserves						-
Net Credit Risk						58,292

^{1/} Risk mitigants are all in the form of hold-out on deposits.

Credit Risk
As of December 31, 2024
(In PhP 0.000 Millions)

Risk Weighted Assets	Total Assets	Booked Valuation Reserves	Net Book Value	Risk Mitigant ^{1/}	Net Risk Weighted Assets	Total Credit Risk Weighted Assets
Cash and Due from Banks	10,417	-	10,417	-	10,417	240
Financial Assets at FVOCI	17,421	-	17,421	-	17,421	8,993
Debt Securities at Amortized Cost	105,698	18	105,680	-	105,680	9,228
Loans and Receivables	36,867	2,701	34,166	1,728	32,438	16,410
Sales Contract Receivable	36	-	36	-	36	36
ROPA	1,712	39	1,673	-	1,673	2,510
Other Assets	5,657	186	5,471	-	5,471	5,034
Total on Balance Sheet	177,808	2,945	174,863	1,728	173,134	42,450
Total Off Balance Sheet	1,202	-	1,202	-	1,202	13
Total Credit Risk	179,010	2,945	176,065	1,728	174,337	42,464
Less: Unbooked Valuation Reserves						-
Net Credit Risk						42,464

^{1/} Risk mitigants are all in the form of hold-out on deposits.

Credit Risk
As of December 31, 2023
(In PhP 0.000 Millions)

Risk Weighted Assets	Total Assets	Booked Valuation Reserves	Net Book Value	Risk Mitigant ^{1/}	Net Risk Weighted Assets	Total Credit Risk
Cash and Due from Banks	13,835	-	13,835	-	13,835	373
Financial Assets at FVOCI	19,482	-	19,482	-	19,482	9,997
Debt Securities at Amortized Cost	108,009	14	107,995	-	107,995	8,831
Loans and Receivables	30,298	2,906	27,392	1,964	25,427	14,847
Sales Contract Receivable	34	-	34	-	34	34
ROPA	1,858	70	1,788	-	1,788	2,682
Other Assets	5,448	180	5,268	-	5,268	4,867
Total on Balance Sheet	178,964	3,171	175,794	1,964	173,829	41,631
Total Off Balance Sheet	1,171	-	1,171	-	1,171	7
Total Credit Risk	180,136	3,171	176,965	1,964	175,001	41,637
Less: Unbooked Valuation Reserves						897
Net Credit Risk						40,740

^{1/} Risk mitigants are all in the form of hold-out on deposits.

Market Risk
As of Dates Indicated
(in 0.000 Millions)

Nature of Item	Currency	31/12/2025		31/12/2024		31/12/2023	
		Net Long/ (Short) Position (USD)	Peso Equivalent	Net Long/ (Short) Position (USD)	Peso Equivalent	Net Long/ (Short) Position (USD)	Peso Equivalent
U.S. Dollar	USD	85.792	5,043.718	80.174	4,637.655	85.374	4,727.141
Japanese Yen	JPY	0.009	0.518	0.105	6.089	0.047	2.617
Swiss Franc	CHF	0.000	0.002	-	-	0.001	0.067
Pound Sterling	GBP	0.145	8.496	0.346	20.018	0.483	26.752
Euro	EUR	0.067	3.930	0.119	6.867	0.281	15.572
Canadian Dollar	CAD	0.269	15.829	0.227	13.110	0.064	3.546
Australian Dollar	AUD	0.071	4.158	0.049	2.809	0.107	5.922
Singapore Dollar	SGD	0.032	1.864	0.142	8.215	0.302	16.715
Foreign currencies not separately specified above		0.030	1.764	0.072	4.188	0.066	3.674
Overall Net Position			5,080.278		4,698.952		4,802.006
Risk Weight			8%		8%		8%
Total Capital Charge For ForEx			406.422		375.916		384.160
Capital Charge Adjustment for ForEx ^{1/}			125%		125%		125%
Adjusted Capital Charge for ForEx Exposures			508.028		469.895		480.201
Minimum Capital Multiplier ^{2/}			10		10		10
Total Risk Weighted ForEx Exposures			5,080.278		4,698.952		4,802.006
<i>Period-end USD-PHP Exchange Rate</i>			<i>58.790</i>		<i>57.845</i>		<i>55.370</i>

^{1/} Capital charge is multiplied by 125% to be consistent with BSP required minimum CAR of 10%, which is 25% higher than the Basel minimum of 8%.

^{2/} Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)

Operational Risk
As of Dates Indicated
(In PhP 0.000 Millions)

Gross Income - Basic Indicator Approach:

	31-Dec-25			31-Dec-24			31-Dec-23		
	Year 3	Year 2	Last year	Year 3	Year 2	Last year	Year 3	Year 2	Last year
Interest Income	5,648	8,837	9,989	4,450	5,648	8,837	5,371	4,450	5,648
Interest Expense	2,750	5,303	6,524	1,955	2,750	5,303	3,241	1,955	2,750
Net Interest Income	2,897	3,534	3,465	2,495	2,897	3,534	2,130	2,495	2,897
Dividend Income	15	2	36	15	15	2	28	15	15
Fees and Commissions	60	68	74	50	60	68	49	50	60
Net Profit/(Loss) on ForEx	163	36	278	47	163	36	22	47	163
Other Income	226	1,082	384	72	226	1,082	128	72	226
Non-interest Income	464	1,188	772	184	464	1,188	227	184	464
Total Gross Income	3,361	4,722	4,237	2,679	3,361	4,722	2,356	2,679	3,361
Capital Charge Factor	15%	15%	15%	15%	15%	15%	15%	15%	15%
Capital Requirement	504	708	636	402	504	708	353	402	504
Average			616			538			420
Capital Charge Adjustment ^{1/}			125%			125%			125%
Adjusted Capital Charge			770			673			525
Minimum Capital Multiplier ^{2/}			10			10			10
Total Risk Weighted Amount			7,700			6,727			5,248

Notes

^{1/} Capital charge is multiplied by 125% to be consistent with BSP required minimum CAR of 10%, which is 25% higher than the Basel minimum of 8%.

^{2/} Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)

RISK MANAGEMENT FRAMEWORK

The Bank's Board of Directors, Management and Staff recognize that risk is inherent in the entirety of banking operations and, if not well managed, could result to financial loss, regulatory sanctions, and penalties that may damage the Bank's reputation. The Bank takes a comprehensive approach to risk management with a defined risk framework and risk limits more particularly in credit. The types of risk faced by the Bank are generally credit, market, liquidity, operational, compliance, strategic and reputational.

The risk management framework provides, through carefully designed policies, clear responsibilities and accountability, and a tight monitoring and feedback mechanism involving all risk takers including the Board of Directors and the relevant committees.

Risk Appetite

The Bank is known for its conservative policies and practices that took root when it was majority owned by the Archdiocese of Manila. The late Dr. Emilio T. Yap, who headed the group that succeeded the Archdiocese of Manila as controlling shareholders, reinforced the Bank's strategy of slow but sure growth, ensuring the safety of depositor funds, and a reasonable return on investment.

Consistent with this strategy, the Bank's relatively low risk appetite is expressed in its ample capital, high liquidity position and profit levels that yield a reasonable return on stockholder investment. Credit risk is evaluated along time-proven lines that involve a series of reviews up to the Board Committee level. The Bank has adopted a default probability model to predict future losses and anticipate provisioning and capital requirement that are consistent with current pertinent banking regulations.

Risk Governance Structure and Risk Management Process

The risk governance framework establishes defense structures including front line units, the risk management unit, internal audit and compliance. The front-line units determine primary risk indicators in accordance with Board authority on the nature and limits of acceptable risk. The organizational units responsible: risk management; internal audit; and compliance serve as monitoring arms and assist management and the Board's oversight functions.

The risk management process starts with the identification and definition of risk, classifying these into quantifiable and non-quantifiable. The former calls for quantifying to the extent possible under validated methodologies and in specified monetary units, market, liquidity and credit risks. Similarly, non-quantifiable risks are defined under the Bank's "control culture" and internal control system designed to monitor and update operational policies and procedures. The following describes the Bank's risk management structure:

- i. **Executive Committee** – analyzes, evaluates and approves activity/product attributes in relation to market, liquidity, credit and operations risks; control and compliance; audit, legal and regulatory; and technology issues.
- ii. **Board Risk Oversight Committee (BROC)** – responsible for the continuing review of corporate risk policies, limits and controls, and ensures that business units continuously monitor the adequacy and soundness of such policies.
- iii. **Assets Liability Committee (ALCO)** – ensures that the Bank maintains adequate liquidity, funding and capital to meet business and regulatory requirements.
- iv. **Credit and Loans Review Committee (CLRC)** – primarily responsible for credit risk management, establishes credit standards for credit analysis, credit risk measurements, internal credit risk rating, and adequacy of credit risk structure.

- v. **Audit Committee** – is primarily responsible for overseeing the Bank’s financial reporting, internal controls, ensuring the integrity and accuracy of the financial statements, and compliance with laws, and regulations.

AML Governance and ML/TF Risk Management Framework

The Bank fully adheres to the national policies on: (a) protecting and preserving the integrity and confidentiality of bank accounts, preventing the use of banks to launder the proceeds of unlawful activity; and (b) the protection of life, liberty, and property from acts of terrorism, condemning terrorism and those who support and finance it. The Bank is also committed to assist the authorities in identifying potential money laundering transactions.

It is, therefore, the declared Bank corporate policy to observe the Anti-Money Laundering Law, as amended, its implementing rules and regulations, as well as to the various circulars, circular letters, and other issuances issued by competent authorities against money laundering, terrorism financing, and other related offenses.

In line with the declaration of policy, the Bank observes the following principles to combat money laundering:

- i. Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system. It shall not discriminate against certain customer types, such as Politically Exposed Persons, or against certain religion, race or ethnic origin, or such other attributes or profile as the only basis to deny these persons to access to the Bank’s services;
- ii. Know sufficiently its customer at all times and ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank by himself or otherwise;
- iii. Adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing;
- iv. Comply fully with the AMLC’s Implementing Rules Regulations (IRR) and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and

- v. Fully cooperate with Anti-Money Laundering Council (AMLC) for the effective implementation and enforcement of the AMLA, as amended, and its Implementing Rules and Regulations.

CORPORATE GOVERNANCE

Overall Corporate Governance Structure and Practices

The Bank's corporate governance follows processes through which corporate objectives are set and pursued in the context of the legal and regulatory frameworks, market environment, accountability, transparency, and effective participation to form solid relationship among stakeholders. Governance mechanisms include monitoring the actions, policies, practices, and decisions of the Board of Directors through its Corporate Governance Committee.

Selection Process for the Board and Senior Management

The selection process for membership in the Board of Directors and Senior Management starts with nominations submitted to the Board's Corporate Governance Committee. Candidates for directorship are submitted to stockholders for their consideration. Other bank officers that require appointment by the Board of Directors are reviewed by the same Committee for consideration of the Board.

Board's Overall Responsibility

The Board of Directors is primarily responsible for the governance of the corporation. It is the Board's responsibility to foster the long-term success of the Bank, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board also formulates the Bank's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor management's performance.

All Directors, whether executive, non-executive or independent, participate in the decision making and resolution process of the Bank. The Chairman of the Board ensures that all concerns are addressed to the satisfaction of the entire membership. He also maintains qualitative and timely lines of communication and information between the Board and Management. Independent Directors, on the other hand, are mandated to validate actions taken by the Board and that the same complies with relevant banking laws and regulations.

Chairman of the Board

The Chairman of the Board presides over the meeting of the Board of Directors where all approvals for credit applications and policies are evaluated and approved. The Chairman is responsible for leading the Board to focus on strategic matters, and setting governance standards. He plays a critical role in nurturing the effectiveness of the Board and individual Directors.

Director's Orientation and Education Program

In compliance with the Bank's Manual on Corporate Governance (MCG), as amended, the Directors and Key Officers regularly attend annual corporate governance seminars. The latest of which was conducted by the Institute of Corporate Directors last November 8, 2025. The annual continuing training program makes certain that directors and key officers are updated on business developments, regulatory environments and digital innovations. Matters discussed include cybersecurity governance, risk management, sustainable development goals and valuable framework for setting strategies relevant to banking operations

Performance Evaluation

The Board of Directors conducts an annual self-evaluation to ensure its leadership aligns with the Bank's business strategies and culture, reinforce appreciation of board roles and responsibilities, and reaffirm that the board maintains an optimal mix of skills and expertise.

The Board Self-Evaluation is conducted utilizing a three-tier approach:

- Board as a collective body is evaluated by the members of the Corporate Governance Committee to assess overall board effectiveness.
- Individual Directors where individual Director conducted a self-evaluation.
- Board-level Committees is a self-evaluation conducted by the members of each respective committee to assess operational efficacy of the following committees:
 - Executive committee Performance Self-Evaluation
 - Audit Committee Performance Self-Evaluation
 - Corporate Governance Committee Performance Self-Evaluation
 - Related Party Transactions Committee Performance Self-Evaluation
 - Risk Oversight Committee Performance Self-Evaluation
 - Trust and Investment Committee Performance Self-Evaluation
 - Board IT Committee Performance Self-Evaluation

Evaluation criteria are anchored in the Board's terms of reference and committee charters, focusing on core leadership principles and corporate governance best practices. These criteria encompass the strategic planning; Board structure and Committee effectiveness;

meeting protocols and operational practices; Board and Executive Management relations; Directors' continuing education; conduct of annual performance self-evaluation process; and sustainable value creation.

To facilitate the annual performance review, the Compliance Department prepares the evaluation forms and secures approval from the Corporate Governance Committee for their implementation. Once approved, individual directors are provided with self-evaluation forms during a scheduled Board of Directors' meeting. Concurrently, members of the Corporate Governance Committee evaluate the performance of the Board as a collective body, while members of each respective committee complete dedicated evaluation forms to appraise their specific committee's operational effectiveness.

Results of the 2025 Self-Evaluation. The Board completed its annual self-evaluation for 2025 in February 2026. The assessments reaffirmed that the Board, its committees, and individual directors, fulfilled their duties effectively, with no material issues identified in governance, operations, or board membership.

The results of the 2025 Self-Evaluation were compiled by the Compliance Department and presented to the Corporate Governance Committee and Board of Directors in March 2026 for their approval.

Board Qualification and Composition

All members of the Board possess the required integrity/probity, physical/mental fitness; relevant education/financial literacy/training and competencies relevant to the job, such as knowledge and experience, skills, diligence, and independence of mind; and sufficiency of time to fully carry out responsibilities.

The Board consists of twelve (12) members, four (4) of whom are Independent Directors, as follows:

	Name of Director	Type of Directorship	Nominee	Length of Service	Number of Shares	% to Total Shares
1	Gen. Hermogenes C. Esperon, Jr. (Ret.)	ID	No	2022 to date	100*	0
2	Dr. Jaime C. Laya	ED	No	More than 5 years	33,325	0.0033
3	Sr. Justice Josue N. Bellosillo (Ret.)	NED	No	More than 5 years	1,512	0.0002
4	Chief Justice Hilario G. Davide, Jr. (Ret.)	NED	No	More than 5 years	1,000	0.0001
5	Dr. Emilio C. Yap III	NED	No	More than 5 years	183,263	0.0183
6	Ernesto O. Chan	NED	No	More than 5 years	17,566	0.0018

7	Miriam C. Cu	ED	No	More than 5 years	548,881	0.0549
8	Benjamin C. Yap	NED	No	More than 5 years	19,310	0.0019
9	Tomas V. Apacible**	NED	No	More than 5 years	1,512	0.0002
10	Ma. Georgina P. De Venecia	ID	No	2021 to date	100*	0
11	Calixto V. Chikiamco	ID	No	2021 to date	100*	0
12	Dr. Beatrice Jane L. Ang	ID	No	2022 to date	100*	0

Note: ED – Executive Director; NED – Non-Executive Director; ID – Independent Director.

*Indirect ownership through PCD Nominee

**Replaced by Atty. Juan D. De Zuñiga, Jr., Independent Director, as approved during the Bank’s Organizational Meeting held on 26 May 2026. Further, during the Board of Directors’ meeting held on 28 May 2026, Mr. Apacible was appointed as Executive Vice President, effective 01 June 2026.

Board-level Committees

Executive Committee

Dr. Jaime C. Laya	- Chairman
Sr. Justice Josue N. Bellosillo (Ret.)	- Member
Dr. Emilio C. Yap III	- Member
Mr. Tomas V. Apacible	- Member
Ms. Miriam C. Cu	- Member

The Executive Committee shall have all the authority to act on behalf of the Board of Directors on all matters when the Board is not in session.

Trust and Investment Committee

Chief Justice Hilario G. Davide, Jr. (Ret.)	- Chairman
Dr. Jaime C. Laya	- Member (President)
Mr. Calixtro V. Chikiamco	- Member (Independent Director)
Mr. Benjamin C. Yap	- Member
Ms. Hazel M. Navarro	- Member (Trust Officer)

The Trust and Investment Committee is responsible for overseeing the fiduciary activities of the Bank, primarily ensuring that they are conducted in accordance with applicable laws, rules and regulations, and prudent practices.

Audit Committee

Dr. Beatrice Jane L. Ang	- Chairman (Independent Director)
Gen. Hermogenes C. Esperon, Jr. (Ret.)	- Member (Independent Director)
Mr. Ernesto O. Chan	- Member

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities, particularly regarding:

- Integrity of financial statements and reporting.
- Effectiveness of internal controls and risk management systems.
- Compliance with laws, regulations, and internal policies.
- Qualifications, independence, and performance of external (independent) auditors.
- Performance and independence of the internal audit function.

Board Risk Oversight Committee

Mr. Calixtro V. Chikiamco	- Chairman (Independent Director)
Chief Justice Hilario G. Davide, Jr. (Ret.)	- Member
Dr. Beatrice Jane L. Ang	- Member (Independent Director)

The Board Risk Oversight Committee is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for identifying and analyzing the risks faced by the Bank; setting and recommending to the Board a system of risk limits and controls; and ensuring that each business unit continuously monitors the adequacy and soundness of policies, assumptions, and practices.

Corporate Governance Committee

Gen. Hermogenes C. Esperon, Jr. (Ret.)	- Chairman (Independent Director)
Mrs. Maria Georgina P. De Venecia	- Member (Independent Director)
Dr. Beatrice Jane L. Ang	- Member (Independent Director)
Chief Justice Hilario G. Davide, Jr. (Ret.)	- Member
Ms. Judy Rosario G. Cam, VP/CCO	- Secretary

The Committee reviews and evaluates nominees for membership in the Board of Directors and other positions requiring appointment by the Board; ensures the effectiveness and observance of corporate guidelines and principles; recommends to the Board the continuing education of directors assigned to different board committees, the succession planning and

remuneration policy; and determines whether elected directors are adequately carrying out assigned duties and responsibilities.

Related Party Transaction Committee

Mrs. Maria Georgina P. De Venecia	- Chairman (Independent Director)
Gen. Hermogenes C. Esperon, Jr. (Ret.)	- Member (Independent Director)
Mr. Calixtro V. Chikiamco	- Member (Independent Director)
Chief Justice Hilario G. Davide, Jr. (Ret.)	- Member
Ms. Judy Rosario G. Cam, VP	- Chief Compliance Officer
Ms. Amelita G. Cua, VP	- Internal Auditor

The Committee is responsible for identifying related parties; monitoring RPT transactions and ensuring that appropriate processes are undertaken to mitigate any risk that may arise from such transaction/s; and ensuring compliance with regulatory requirements.

Board IT Committee

Gen. Hermogenes C. Esperon, Jr. (Ret.)	- Chairman (Independent Director)
Dr. Emilio C. Yap III	- Member
Mr. Calixtro V. Chikiamco	- Member (Independent Director)

The Committee assists the Board of Directors in its governance and oversight functions by providing the latter strategic direction for Information Technology (IT) strategies and related initiatives, plans, programs and projects.

Directors' Attendance at Board and Committee Meetings

Name of Director	Board		Executive Committee		Audit Committee		Trust and Investment Committee		Board Risk Oversight Committee		Related Party Transaction Committee		Corporate Governance Committee		Board IT Committee	
	P	%	P	%	P	%	P	%	P	%	P	%	P	%	P	%
Gen. Hermogenes C. Esperon, Jr. (Ret.)	13/14	93%	7/12	58%	7/9	78%					9/9	100%	4/4	100%	10/10	100%
Dr. Jaime C. Laya	14/14	100%	12/12	100%			4/4	100%								
Sr. Justice Josue N. Bellosillo (Ret.)	14/14	100%	12/12	100%												
Dr. Emilio C. Yap III	14/14	100%	12/12	100%											10/10	100%
C.J. Hilario G. Davide, Jr. (Ret.)	12/14	86%					4/4	100%	5/5	100%	9/9	100%	4/4	100%		
Benjamin C. Yap	14/14	100%					2/4	50%								
Ernesto O. Chan ¹	13/14	93%	7/12	58%	7/9	78%										
Tomas V. Apacible	14/14	100%	12/12	100%												
Miriam C. Cu	14/14	100%	12/12	100%												
Ma. Georgina P. De Venecia	14/14	100%									7/9	78%	4/4	100%		
Calixto V. Chikiamco	14/14	100%					4/4	100%	5/5	100%	9/9	100%			8/10	80%
Beatrice Jane L. Ang	14/14	100%			9/9	100%			5/5	100%			4/4	100%		

¹Member until 31 July 2025

Self-Assessment Functions

The Bank considers self-assessment as a collective effort of the entire organization. All departments/branches/units, together with their respective personnel, shall ensure adherence to internal policies and procedures, as well as to regulatory requirements.

The internal audit function provides independent appraisal of all the activities of the Bank in order to add value and improve operational efficiency, risk management, and internal control systems. It is headed by the Internal Auditor and reports directly to the Audit Committee. Through the Audit Committee, the Board assesses the adequacy and effectiveness of internal control as defined in the internal audit system.

The compliance function reviews and assesses the implementation of internal policies and procedures; conducts compliance risk assessment and compliance testing; educates staff on compliance matters; and monitors compliance risk exposures. The Board of Directors ensures that a compliance program is defined for the Bank, and that compliance issues are resolved expeditiously. Senior Management, on the other hand, ensures that bank personnel and affiliated parties adhere to the pre-defined compliance standards. The Chief Compliance Officer is the lead operating officer on compliance, periodically reporting to the Board of Directors through the Board's Audit Committee on matters that affect the design and implementation of the compliance program, monitoring submission of reports to regulators and updates on Bank's compliance with respect to BSP Report of Examination directives.

Dividend Policy

As provided in the By-Laws, the Board of Directors may declare dividends only from the profits of the business of the Bank, and then only after retaining unimpaired the entire subscribed and paid-up capital stock, the reserve fund required by law, amount earmarked for the by-laws mandated profit sharing for all employees (Art. VII) and a sum sufficient to pay all expenses then incurred by the Bank, inclusive of taxes.

Potential Conflict of Interest

The Bank entered into an agreement with its external auditor/s to validate Bank's ECL model. The validation was carried out by another partner from the same firm that's undertaking financial audit of the Bank. Bank management sees no possible conflict of interest.

Corporate Social Responsibility

The Bank provides academic scholarships to deserving students in various colleges and universities in the Philippines, thereby giving them opportunity to finish undergraduate degrees. Successful scholar-graduates are eventually offered employment in the Bank. The Office of the President handles the selection process and maintenance of the scholarship program. Bank also selects from deserving bank employees to pursue postgraduate courses in the field of finance for free. During the height of the pandemic, the Bank offered its property across its head office as quarantine facilities for frontline medical /police personnel in the City of Manila and distributed bags of relief goods to affected families in pursuance of its corporate social responsibility.

Consumer Protection Practices and Risk Management System

The Board is responsible for approving and overseeing the implementation of the Bank's customer protection policies as well as the mechanism to ensure compliance with the said policies; developing and maintaining a sound Customer Protection Risk Management System that is integrated into the overall framework for the entire product and service life-cycle; delivering effective recourse to its customers; and providing adequate resources devoted to customer protection and assistance.

Accordingly, the Board has adopted policies and procedures on customer assistance, consumer protection, and risk management that are consistent with consumer protection laws, rules and regulations. These policies and procedures are embedded in the Bank's business operations.

Internal audit reviews the Bank's customer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. It has established a Customer Protection Audit Program that provides for an assessment of the effectiveness of the adequacy and implementation of approved policies and standards formulated to meet customer protection objectives.

The compliance function proactively monitors and promotes the Bank's adherence to standards of customer protection. It has established a formal Customer Protection Compliance Program that is part of the over-all compliance system of the Bank, including compliance testing and monitoring.

Bank Management reviews and monitors identified risks inherent in all its products and services to ensure that consumers are protected against such risks. Bank systems ensure transparency in banking transactions with the public through informative materials and well-informed bank officers and staff. In accordance with relevant laws and regulations, personal information and transaction details are kept confidential except when required by the proper authorities.

The Bank has adopted a system of reporting violations and procedures on complaints handling to ensure timely corrective measures. There is a Customer Assistance Group (CAG), consisting of Department and Branch Heads, with the Head of the Branches Department as the group head, to handle customer inquiries, requests, and complaints.

Performance Assessment Program

Bank management through the Human Capital and OD Unit of the Personnel Department in coordination with Branches Department, regularly carries out a performance assessment program for all employees assigned at the head office and branches based on set standards, including job knowledge, attendance/punctuality, office decorum, and character attributes identifying potential for career advancement. Board of Directors' performance are assessed by the Chairman of the Board.

Orientation and Education Program

An orientation program for new employees includes an introduction to company rules, code of conduct, table of sanctions and disciplinary actions, human resources policies, employee benefits, due process essentials and the basic AML rules and regulations and updates thereof as well as data privacy. In 2025 the Bank conducted seminars on Enhance Selling Skills as well as Operations Document Review for Loans and for New Accounts. On-line sessions on Information Security were also made available for employees. Further, Core Banking personnel underwent sessions on Agile Training.

In the second semester of 2025, the Compliance Department conducted the Annual Refresher Training for all Bank employees on Anti-Money Laundering, Countering the Terrorism and Proliferation Financing (AML/CTPF). This training aims to continuously enhance employees' awareness, knowledge, and understanding of prevailing AML/CTPF laws, rules, and regulations, as well as the Bank's internal policies, procedures, and controls. It reinforces the importance of each employee's role in identifying, preventing, and

reporting suspicious activities, and ensures consistent application of customer due diligence, transaction monitoring, and reporting obligations. The program also updates employees on emerging money laundering and terrorism financing risks, regulatory developments, and typologies, thereby strengthening the Bank's overall compliance culture and supporting effective risk management across the organization.

The Bank also implemented an employee security awareness and training program leveraging KnowBe4, an industry-recognized security awareness training platform. Employees received training in cybersecurity best practices, data protection responsibilities, and emerging threat trends. The program also included regular phishing simulation campaigns designed to assess employees' ability to identify and appropriately respond to potential cyber threats.

Retirement and Succession Policy

The Bank has established policies on the retirement of officers and staff and implements policies and procedures to ensure smooth transition upon the retirement, resignation, or other events affecting the employment of officers and staff. It also has a defined contribution or pension plan under which the Bank pays fixed contributions to an independent Provident Fund in full satisfaction of its legal and constructive obligations. The assets of the plan are held separately from those of the Bank and are under the control of Provident Fund trustees.

The Bank has no fixed retirement age for members of the Board of Directors or term limits for each director except for independent directors where the BSP requires a maximum cumulative term of nine (9) years. Our policy has been to find suitable candidates to become directors from among those nominated by the stockholders and incumbent directors. Considered in the selection of candidates for directorship in the Bank includes, integrity, probity, mental/physical fitness, relevant education/training and competencies relevant to the job. The stockholders elect the best candidates as members of the board of directors during the stockholder's meeting. Bank personnel retire at age sixty (60) but can be rehired at the Board's discretion depending on performance and need. Bank directors are not included in the retirement policy as their tenure is renewed annually and their continuous fitness as directors is determined by the Board's Corporate Governance Committee.

On succession policy, the Bank identifies personnel within each department/unit/branch who can take over the leadership position in case a permanent or temporary vacancy for the top position occurs. The identified second-in-command is trained in the areas of

operational proficiency, communications skills, and decision-making ability. The succession plan makes available experienced and capable employees to assume greater responsibilities in the future. It also increases employee satisfaction knowing that the Bank is planning for the employees' future opportunities for career advancement.

Remuneration Policy

The Bank has an approved position classification and compensation plan that emphasizes merit and performance for all employees from the lowest to the highest-ranking employee including bank directors. The profit-sharing system is part of the Bank's remuneration policy. The Board of Directors receives per diems for attendance in each Board and Committee meetings including Bank's profit-sharing program as provided by the Bank's By-Laws.

Policies and Procedures on Related Party Transactions

The Bank's transactions with directors, officers, stockholders and their related interests, and with other related parties are considered arm's length and done in the best interest of the Bank. Such transactions are undertaken without any special preferences and only in the regular course of Bank business. Dealings are subject to the approval of the Board of Directors as well as to the confirmation by the stockholders as may be necessary. All transactions of the Bank with its related parties are in accordance with existing laws, rules and regulations.

Accordingly, the Bank Board of Directors has constituted the Related Party Transaction Committee tasked to assist the Board of Directors in ensuring Bank compliance with applicable laws, rules and regulations, as well as in the effective implementation of relevant Policies and Procedures.

The Related Party Committee of the Board pass upon/approve RPT transaction including credit accommodations before they are recommended to the Board of Directors for approval. The Bank adopts policies and procedures to identify related parties; monitors related party transactions; ensures appropriate process of approval, identification, measurement, and monitoring risks; and sees to compliance with disclosure requirements.

SUSTAINABLE FINANCE

The implementation of the Bank's Sustainable Finance Framework and the approved action plans and initiatives are currently underway starting 2023 through 2030.

Sustainability strategic objectives and risk appetite

- Promulgate policies and business direction that upholds and supports the movement of the financial services towards the development and implementation of sustainable finance models, alongside environmental and social undertakings.
- Train employees on the concept of Sustainable Finance in its training programs to develop manpower capabilities and identify talents that would become sustainability leaders within the organization.
- Promote financial literacy among the under banked and unbanked in pursuit of financial inclusion.
- Implement basic climate friendly practices in the construction or renovation of banking offices, acquisition of furniture and equipment including IT-related purchases.
- Credit exposure to industries that advocate eco-friendly products and services shall be promoted, with at least three percent of the total loan portfolio by 2030.

Some sustainability initiatives being undertaken from 2023 to date are:

- Encouraged bank personnel to recycle or use the back portion of old letters/documents for drafting of reports and correspondences.
- Promoted paperless presentation during meetings and presentations.
- Gradually replaced old lighting system with LED (light emitting diode) technology, that is energy efficient.
- Enforced "lights off" during lunch break for backroom offices.

- Required all offices to set thermostat of air conditioners at 25 degrees centigrade and turn off aircon thirty (30) minutes before dismissal or 5PM.
- Pursued automation of several business processes and digitalization of documents thereby eliminating excessive use of paper.
- Engaged in community outreach initiatives and work, with nearby orphanages for feeding and education programs.
- Offered scholarships and employee development through soft skills training such as values formation, leadership, interpersonal relations.
- Use of solar panels for electrification in future branch expansion and improvement.
- Garbage/waste segregation.

ROADMAP FOR 2026 ONWARDS TO 2030

As we look to the future, we are still committed to pursuing our long-term goals of continuing to be a reliable bank with a solid reputation for asset stability, consistently profitable operations, a respectable return on investment, a sufficient liquid position under any stress scenario and sound internal and system controls.

Four important strategic priorities will drive us toward our vision and help us reach our goals in 2030:

- Pursue more focused business growth that will restructure the balance sheet toward enhancing profitability while keeping adequate liquidity by building a portfolio of higher-yielding assets (loans) and, diversifying the loan portfolio by growing high-yielding consumer loans. To achieve this, we plan to do the following:
 - Beef up both our corporate and consumer lending groups to scale up our enterprise and retail loan portfolios to bolster interest income streams;

- Expand sources of non-interest income by accelerating consumer loan bookings, and, fast-tracking the rollOut of digitalization initiatives;
- Continue building up core deposits by opening new branches in strategic locations to broaden market reach and enhancing the sales management process to boost sales productivity.
- Improve support infrastructure anchored on digitalization initiatives to enhance operational efficiency and flexibility, enhance competitiveness in the market, and support business growth as well as facilitate regulatory compliance by capitalizing on modern IT infrastructure and applications and popular social media platforms. This involves the following:
 - Accelerating the implementation of projects to upgrade/expand support infrastructure (people, system, processes) such as the onboarding of additional salespeople and support personnel in critical support units;
 - Fast-tracking the rollout of major IT projects such as the new core banking system, new accounting system, internet and mobile banking, and enhancement of the existing retail Internet banking to name a few key initiatives in this area, and
 - Ensuring the completion of organizational restructuring for some key departments.
- Sustain improvement of asset quality, risk management, and compliance to satisfy changing regulatory requirements and handle developing and new risks. We have several important initiatives planned in this regard.
 - Enhancing current frameworks for risk management and developing new ones that meet new regulatory requirements, industry best practices, and standards;
 - Put into place a new AMLA system that allows for regulatory compliance and guarantees a uniform customer experience throughout all channels and consumer touchpoints; and

- Promptly enhance operational efficiency and flexibility while maintaining regulatory compliance by utilizing industry best practices and established ways to improve corporate processes and procedures.
- Keep pursuing organizational development (OD) initiatives, such as succession planning, organizational restructuring and realignment, staff upskilling and training, and performance management system review and improvement, to improve organizational effectiveness.
- Launch employee volunteer program for community outreach projects and other social projects for the marginalized sectors.

PTC SUSTAINABILITY REPORT 2025

Economic

The 2025 report underscores stronger economic performance compared to 2024, driven by efficiency programs and investments in sustainable technologies. These initiatives not only improved profitability but also reinforced long-term resilience by embedding sustainability into core business operations.

Environment

Environmental achievements in 2025 included deeper reductions in greenhouse gas emissions, expanded renewable energy adoption, and enhanced waste and water management programs. These outcomes surpassed 2024 benchmarks, demonstrating measurable progress in climate action and ecological preservation.

Social

Social responsibility advanced significantly in 2025, with expanded employee well-being programs, stronger diversity and inclusion practices, and broader community partnerships. Compared to 2024, these initiatives reached more beneficiaries and created greater shared value across society.

UN Sustainable Development Goals (SDGs)

In 2025, the Bank's products and programs made clear contributions to the UN SDGs. **Bank deposits** promoted financial inclusion by encouraging savings. **Loans and credit facilities** supported sustainable finance, including Php23.3M for hybrid vehicles, a Php256.4M green loan portfolio, and USD 490,440 in green bonds. The **Scholarship Program** advanced education by helping students earn degrees, while the **Provident Fund** supported employees transitioning to retirement. Together,

these initiatives strengthened alignment with SDGs on clean energy, decent work, quality education, and climate action.

MATERIAL RELATED PARTY TRANSACTIONS

Material Related Party Transactions

Philtrust Bank	350
Name of Bank	Bank Code

December 31, 2025

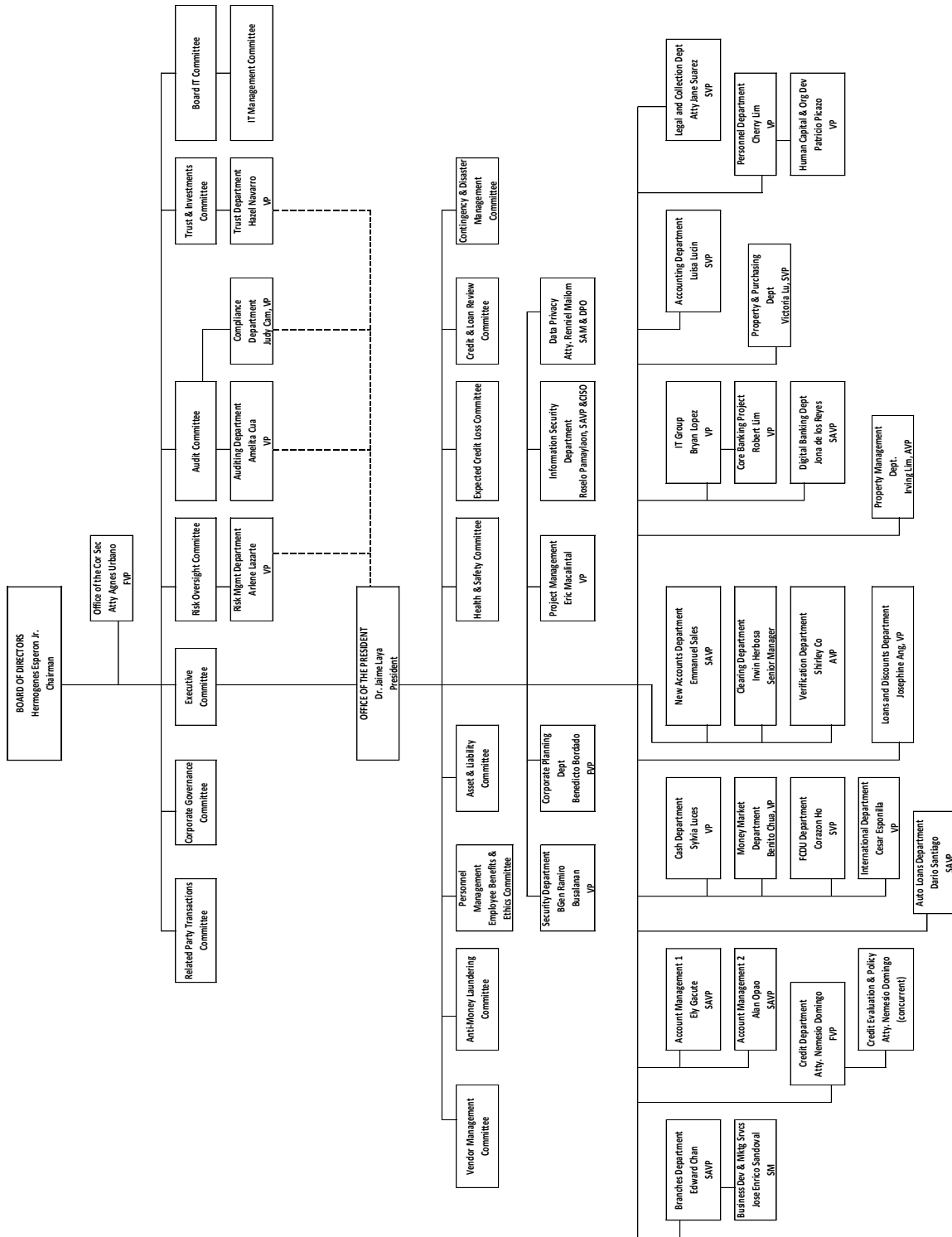
Date

Parent Bank/QB and Subsidiary/Affiliates	Related Counterparty	Relationship between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the transaction
A. Bank/QB							
a. Subsidiaries and Affiliates							
b. DOSRI							
	U.S. Automotive Co., Inc.	Stockholder	16 Sept 2025	Credit Line	2,749,001,559.99	30 Sept 2026	For interest income
	Philtrust Realty Corporation	Stockholder	01 Jan 2025	Lease/Lessee	2,440,828.92	1 year	For branch use
	Philtrust Realty Corporation	Stockholder	01 Jan 2025	Lease/Lessee	6,304,453.20	1 year	For branch use
	Cocusphil Development Corp.	Related Interest	01 Jan 2025	Lease/Lessee	2,482,125.12	31 Dec 2025	For branch use
	U.N. Properties Development Corp.	Related Interest	08 Sept 2021	Lease/Lessee	27,855,000.00	5 years	For head office use
	U.N. Properties Development Corp.	Related Interest	01 Jul 2022	Lease/Lessee	19,561,680.00	5 years	For head office use
	Centro Escolar University	Related Interest	01 Jan 2005	Lease/Lessor	600,000,000.00	25 years	For rental income
	Centro Escolar University	Related Interest	01 Jun 2025	Lease/Lessee	4,937,415.12	5 years	For branch use
c. Others							
	Advance Solutions, Inc.	Related Party	11 Nov 2025	Credit Line	500,000,000.00	31 Dec 2026	For interest income
	Jen Food, Inc.	Related Party	26 Mar 2019	Credit Line	100,000,000.00	8 years	For interest income
	Rico Builders	Related Party	26 Jul 2022	Credit Line	214,918,310.48	26 Jul 2032	For interest income
	Rico Enterprises	Related Party	26 Jul 2022	Credit Line	87,393,192.19	29 Jul 2030	For interest income
	Genghis Khan Security Services, Inc.	Related Party	29 Jul 2025	Credit Line	11,000,000.00	25 Sept 2026	For interest income
	Sprintlogic, Inc.	Related Party	29 Jul 2025	Credit Line	24,000,000.00	21 Aug 2026	For interest income
	B&Co Trading Corporation	Related Party	22 Apr 2025	Credit Line	9,141,234.61	5 years	For interest income
	Lina, Jose D. Jr. & Loretta A.	Related Party	14 May 2025	Credit Line	18,809,523.80	7 years	For interest income
	San Miguel Corporation	Related Party	25 Nov 2025	Credit Line	1,500,000,000.00	28 Feb 2027	For interest income
	Automotive Icon Incorporated	Related Party	28 Oct 2025	Credit Line	40,000,000.00	30 Oct 2026	For interest income

For Credit Line transactions, the amount reflected represents the outstanding balance as of 31 December 2025

CORPORATE INFORMATION

Organizational Structure



Directors and Senior Management

BOARD OF DIRECTORS

MR. BASILIO C. YAP
CHAIRMAN EMERITUS

GEN. HERMOGENES C. ESPERON, JR. (RET)
CHAIRMAN

DR. JAIME C. LAYA
SR. JUSTICE JOSUE N, BELLOSILLO
DR. EMILIO C. YAP III
VICE CHAIRMAN

CHIEF JUSTICE HILARIO G. DAVIDE, JR.	MR. ERNESTO O. CHAN
MR. BENJAMIN C. YAP	MRS. MA. GEORGINA P. DE VENECIA
MS. MIRIAM C. CU	MR. CALIXTO V. CHIKIAMCO
MR. TOMAS V. APACIBLE	DR. BEATRICE JANE L. ANG

DIRECTORS

ATTY. AGNES B. URBANO ATTY. RENNIEL C. MAILOM
ASSISTANT CORPORATE SECRETARY

OFFICERS

DR. JAIME C. LAYA
PRESIDENT

SR. JUSTICE JOSUE N. BELLOSILLO
CORPORATE COUNSEL

JUDY ROSARIO G. CAM
CHIEF COMPLIANCE OFFICER

ARLENE O. LAZARTE
CHIEF RISK OFFICER

HAZEL M. NAVARRO
TRUST OFFICER

VIRGINIA S. CHOA-SHI
EXECUTIVE VICE PRESIDENT

SENIOR VICE PRESIDENTS

LUISA A. LUCIN, CHIEF ACCOUNTANT

CORAZON L. HO, FCDU DEPARTMENT

ATTY. JANE L. SUAREZ, LEGAL DEPARTMENT

VICTORIA C. LU, PURCHASING DEPARTMENT

CHAI SEN UY, CEBU BRANCH

FIRST VICE PRESIDENTS

ATTY. NEMESIO M. DOMINGO
CREDIT DEPARTMENT

BENEDICTO F. BORLADO,
CORPORATE PLANNING DEPARTMENT

VICE PRESIDENTS

AMELITA G. CUA
INTERNAL AUDIT DEPARTMENT

BENITO D. CHUA
MONEY MARKET DEPARTMENT

JOSEPHINE Y. ANG,
LOANS & DISCOUNTS DEPARTMENT

CHERRY M. LIM
PERSONNEL DEPARTMENT

CESAR M. ESPONILLA
INTERNATIONAL DEPARTMENT

BRYAN JOSEPH A. LOPEZ
I.T. GROUP

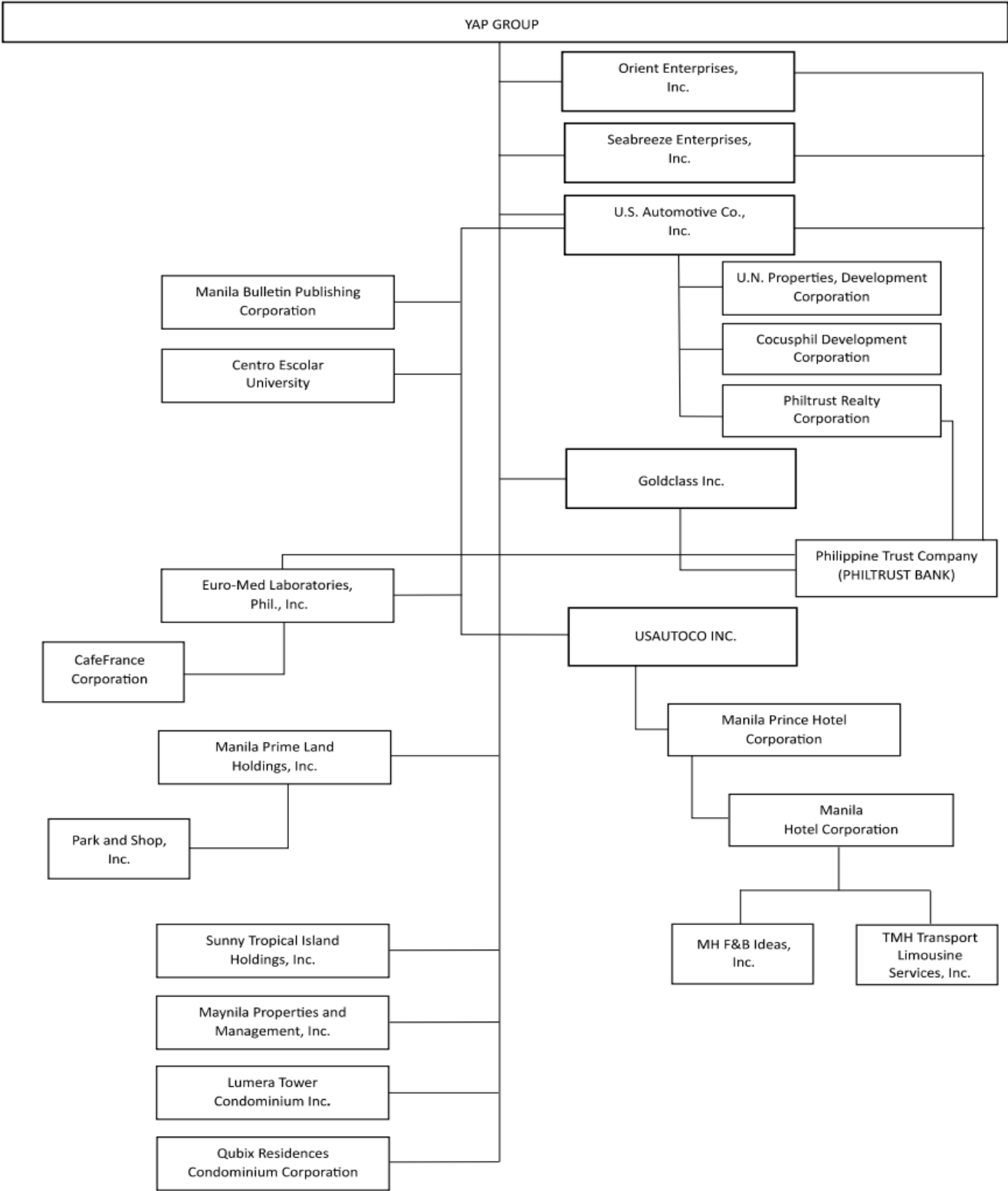
BGEN. RAMIRO G. BUSALANAN (RET.)
SECURITY DEPARTMENT

Major Stockholders

Name of Stockholder	Nationality	No. of Shares Subscribed and Paid Up	Amount	Percent
Philtrust Realty Corp.	Filipino	269,000,014	2,690,000,140	26.90
U.S. Automotive Co. Inc.	Filipino	209,873,774	2,098,737,740	20.99

CONGLOMERATE

As of 31 December 2025



BANK PRODUCTS AND SERVICES

1. Checking Account and Auto-Transfer CA/SA Account

Also referred to as a current account, the checking account is a peso-denominated demand deposit account maintained with the Bank and withdrawable through the issuance of checks or, where applicable, through other authorized electronic banking channels. This account is non-interest bearing.

Philtrust Bank also offers an **Auto-Transfer CA/SA Account**, which combines a checking and a savings account. Under this arrangement, funds are automatically transferred from the linked savings account to the checking account as checks are drawn. This feature allows depositors to earn interest on their savings balances while ensuring sufficient funds are available to cover issued checks, thereby providing greater liquidity management and convenience.

2. Savings Account

A savings account is an interest-bearing deposit account withdrawable upon presentation of a duly accomplished withdrawal slip together with the corresponding passbook, or through an automated teller machine (ATM), where applicable.

Philtrust Bank currently offers three (3) savings account products, namely:

- ATM Savings Account
- Regular Passbook Savings Account
- Special Savings Passbook

These products vary in terms of applicable interest rates, maintaining balances, and limitations on the number of withdrawals within a specified period.

Individual Savings accounts may be enrolled in the Internet Banking Facility of Philtrust Bank.

3. Certificate of Time Deposit

A Certificate of Time Deposit represents an interest-bearing deposit with a specific maturity date and is evidenced by a certificate issued by Philtrust Bank. No time deposit with a term of less than thirty (30) days shall be accepted.

4. Credit Extensions

a. Loans

Is a type of credit extension evidenced by a promissory note executed by the borrower, payable either on demand or on a specified maturity date. Loans may be secured (e.g., by real estate mortgage or deposit hold-outs) or unsecured/clean (i.e., without collateral).

Loans with maturities of one (1) year or less are classified as short-term loans, while those with maturities exceeding one (1) year are considered term or time loans. Time loans may further be categorized as medium-term (one to three years) or long-term (beyond three years).

b. Other Types of Credit Extensions

i. Letter of Credit (L/C)

Is a form of bank guaranty issued by Philtrust Bank in favor of a beneficiary or supplier for the importation or movement of goods and/or payment for services. The beneficiary draws a draft in accordance with the terms and conditions of the letter of credit to receive payment. Drawings may be made through sight or usance (term) drafts, depending on the type of L/C.

Letters of credit may be used for:

1. Importation of goods from abroad (Import L/C), typically denominated in foreign currency; or
2. Purchase of goods locally (Domestic L/C), usually denominated in Philippine pesos.

ii. Auto Loans / Car Financing

These facilities allow individual customers to acquire a motor vehicle through financing arrangements other than a full cash, lump-sum payment.

iii. Trust Receipt (T/R)

Is a financing arrangement representing bills or drafts drawn under letters of credit that have been accepted by the importer, buyer, or account party prior to or upon the release of shipping documents under a trust receipt agreement.

Under a trust receipt agreement, the account party acknowledges that Philtrust Bank retains ownership of the imported or purchased goods. Such goods must be intended for resale or as integral components of goods for eventual sale (e.g., raw materials). Capital equipment and spare parts intended for the account party's own use are not eligible for trust receipt financing.

Failure to remit proceeds from the sale of goods or to return the goods covered by a trust receipt may subject the borrower or signatories to criminal liability under applicable laws.

5. Auxiliary Services

a. Philtrust Online

The Internet Banking Facility of Philtrust Bank is an electronic banking service that allows enrolled clients to securely access and manage their eligible accounts online. Through this facility, clients may view account balances and transaction histories, monitor deposit

accounts, and perform other banking-related inquiries and services as may be allowed by the Bank from time to time, subject to applicable terms and conditions.

b. Safe Deposit Box (SDB)

A safe deposit box is a facility offered by Philtrust Bank, subject to payment of the prescribed rental fee, exclusively to established depositors for safekeeping purposes. Dual control is observed, with one (1) key held by the depositor and the other retained by the Bank. The contents of the box are known only to the renter and are not insured against loss due to theft, fire, or other causes. Currency stored in safe deposit boxes is likewise not insured.

c. Manager’s Check / Gift Check

A manager’s check is issued and drawn by Philtrust Bank upon itself and made payable to a named payee. A gift check is a type of manager’s check distinguished by its designation and presentation, and is typically enclosed in a red envelope. As the name implies, it is intended for gifting purposes.

d. Telegraphic Transfer (Domestic / Foreign)

Telegraphic transfer is a facility for the remittance or transfer of funds, either incoming or outgoing, transmitted electronically within the country or internationally.

6. Trust Services

Trust services of the Bank may be divided into three groups:

- Court Trust
- Private Trust
- Corporate Trust

Court Trust

Court trusts are trusts established by order of a court in legal proceedings involving minors, incapacitated individuals, or contested estates. The trustee is required to submit periodic accountings to the court and remains responsible for the trust until a final accounting has been submitted, approved, and a final judgment or decree has been made absolute. The court oversees the trustee’s conduct, ensuring that the trustee complies with applicable laws and administers the estate with sound judgment and integrity.

Because Court Trusts must be managed in strict accordance with legal requirements, the procedures governing their administration—outlined in the Rules of Court—are detailed in Section III: Administrative Procedures. When appointed by the court as trustee, the Bank will, in most cases, accept the appointment, as it is obligated under its articles of incorporation to provide fiduciary services to the public. However, if circumstances beyond the Bank’s control prevent it from effectively carrying out its duties, it must submit its reasons for declining the appointment to the court.

a. Executorship

An executor is an individual or trust company designated in a will to administer the estate of a deceased person. The executor's responsibilities include collecting and safeguarding estate assets, identifying and verifying outstanding debts, obtaining professional appraisals, and paying approved taxes and valid obligations as authorized by the probate court. The executor also challenges improper claims and, upon completion of these duties, distributes the remaining assets (the residue) in accordance with the court's decree.

Serving as an executor—regardless of the size of the estate—requires a high level of business acumen, integrity, discretion, and specialized knowledge of estate administration. By fulfilling these duties, the executor ensures that the estate is managed responsibly and that the decedent's wishes are carried out in compliance with legal requirements.

b. Administration

An administrator is an individual or trust company appointed by the court to manage the estate of a person who dies intestate—that is, without a valid will—or in cases where the will does not name an executor, or the named executor is unable or unwilling to serve. The administrator performs duties similar to those of an executor, including collecting and safeguarding assets, settling outstanding debts, paying taxes, and distributing the estate in accordance with the laws of intestacy, all under the supervision of the court.

Serving as an administrator requires the same level of integrity, discretion, and specialized knowledge as an executor, with the added responsibility of ensuring that the estate is distributed fairly and strictly in line with statutory requirements. By fulfilling these duties, the administrator ensures that the estate is managed responsibly and that the rights of heirs and beneficiaries are protected.

c. Special Administration

Special administration refers to a temporary or limited form of estate administration that a probate court authorizes under certain circumstances—usually when urgent action is needed before a full executor or administrator is officially appointed.

It is a court-approved, short-term solution to protect or manage an estate when immediate action is needed but the full probate process isn't yet in place.

d. Guardianship

Guardianship is a legal relationship established by a court in which a guardian is appointed to make decisions and provide care for another person (the ward) who is unable to manage their own affairs due to age, incapacity, or disability. It is a protective legal tool used by courts to safeguard individuals—whether minors or adults—who cannot adequately care for themselves or manage their personal or financial matters, by appointing a responsible guardian to act in their best interests.

While a bank cannot serve as guardian of a person, its Trust Department may be appointed as guardian of the estate for a minor or an incompetent individual. In this capacity, the Trust Department manages the ward's financial assets, ensures proper record-keeping, and administers the estate in accordance with court directives, thereby protecting the ward's property and supporting their long-term welfare.

e. Testamentary Trusteeship

A testamentary trusteeship is the legal responsibility assigned to a trustee named in a will to manage and distribute assets under a testamentary trust after the testator's death, in accordance with the terms outlined in the will. The trustee is typically required to submit regular accountings to the court until the trust is fully terminated.

If the provisions of the will are ambiguous, the court may order the creation of a testamentary trust to ensure proper administration. In such cases, the trustee's actions remain subject to court oversight until the trust is concluded and the trustee is formally discharged of responsibility. By fulfilling these duties, the testamentary trustee ensures that the decedent's wishes are honored, beneficiaries' interests are protected, and the estate is administered in compliance with legal requirements.

f. Receivership

Receivership is a legal process in which a court appoints a receiver to take control of and manage the property, assets, or operations of a company or individual. This typically occurs when a business or entity is in financial distress or involved in litigation. The receiver's role is to preserve, manage, and, when necessary, liquidate assets in order to satisfy creditors, resolve disputes, or protect the interests of stakeholders.

Receivership is often employed in cases of insolvency or financial mismanagement to ensure fair treatment of creditors and to preserve asset value. By acting under the authority of the court, the receiver provides impartial oversight and helps stabilize or wind down operations in a manner that upholds legal and financial obligations.

Private Trust

A private trust is a legal arrangement where a person (the trustor or settlor) transfers assets to a trustee, who then manages those assets for the benefit of one or more specific individuals or entities (the beneficiaries), such as family members, friends, or other designated parties. The court has no jurisdiction over private trusts, as they are created by a trustor to be operative during their lifetime, although the provisions of the trust agreement may allow it to continue long after their death. These trusts are often referred to as "living," "voluntary," or "personal" trusts. They are established for various purposes, including:

- Estate Planning
- Wealth Management

- Tax Planning
- Asset Protection
- Providing for dependents

a. Custody Accounts

Custody Accounts are arrangements in which a financial institution safeguards financial assets—such as securities, cash, or bonds—on behalf of a client. The institution acts as custodian, ensuring safekeeping, collecting and crediting income, preparing ownership certificates, notifying clients of maturities, and promptly collecting principal. Securities are held separately from other accounts and afforded the same protection as the bank’s own property. Income is credited to the client’s designated account, while the custodian has no authority to manage or dispose of assets beyond the terms of the agreement.

b. Agency Accounts or Power of Attorney

Agency Accounts (Power of Attorney) extend beyond custody services by authorizing an agent, typically the Trust Department, to act on behalf of the principal under a notarized power of attorney. This arrangement allows for a wide range of transactions, including buying and selling securities, collecting accounts, handling negotiable instruments, administering estates, and remitting dividends. Authority is flexible and may be revoked at any time. When investment of personal property is included, the Trust Department may review securities, provide written opinions, and issue recommendations. Clients may also maintain funds directly on the Trust Department’s books under the agency account.

An **Investment Management Account (IMA)** is a personalized trust arrangement that provides professional portfolio management tailored to a client’s risk profile, preferences, and long-term goals. Through the Trust Department, individuals or institutions entrust funds for investment management designed to achieve specific financial objectives.

c. Trustee under a Life Insurance

A Trustee under Life Insurance is appointed to manage the proceeds of a life insurance policy in accordance with the policy terms and any related trust agreement. The trustee administers the benefit for designated beneficiaries, often to provide ongoing financial support or ensure that proceeds are used in line with the policyholder’s long-term wishes. Life insurance trusts are frequently employed in estate planning to control distribution of death benefits.

d. Escrow

Escrow is a financial arrangement in which a neutral third party (the escrow agent) holds and manages funds, documents, or assets until contractual conditions are fulfilled. Deposits are recorded as trust assets with offsetting liability accounts reflecting their

carrying value. Like other private trust or agency agreements, escrow arrangements remain confidential unless disclosure is authorized or required by law. Escrow reduces risk and builds confidence between parties in complex transactions.

Corporate Trust

A corporate trust is a fiduciary arrangement in which a financial institution or trust company acts as trustee to perform specialized duties on behalf of a corporation. In this role, the corporate trustee safeguards the interests of beneficiaries—typically bondholders, shareholders, or plan participants—under the terms of a trust agreement or indenture. Corporate trust services encompass a wide range of products designed to support corporate financial activities and ensure compliance with contractual obligations.

a. Transfer Agent

A transfer agent is a financial institution or organization responsible for maintaining and managing a corporation's shareholder records. Its primary duties include recording ownership by updating the shareholder register, processing transfers when shares are bought or sold, and issuing or cancelling stock certificates as needed. The transfer agent also distributes dividends to shareholders on behalf of the corporation and facilitates corporate actions such as stock splits, mergers, and proxy voting.

By serving as an intermediary between the corporation and its shareholders, the transfer agent ensures accurate record-keeping, efficient transfer of shares, and proper execution of shareholder-related administrative tasks.

b. Trustee under Corporate Mortgage

A trustee under a corporate mortgage is a financial institution or entity appointed to hold and manage the assets pledged as security for a corporate bond issue. Acting on behalf of bondholders or lenders, the trustee ensures that the issuing corporation complies with the terms of the mortgage indenture. This includes safeguarding collateral, monitoring the corporation's obligations, and enforcing remedies if covenants are breached. By serving as the representative of investors, the trustee provides assurance that the pledged assets are properly managed and that bondholder rights are protected throughout the life of the bond issue.

c. Sinking Fund Agent

A sinking fund agent is a financial institution or entity appointed by a corporation or issuer to administer a sinking fund—a reserve established to gradually repay or redeem outstanding bonds or other debt securities over time, rather than in a single payment at maturity. The agent's responsibilities include collecting required contributions, investing

the fund's assets prudently, and ensuring that sufficient amounts are set aside for scheduled redemptions. In addition, the sinking fund agent may purchase or redeem bonds in the open market, as specified in the bond agreement, and verify compliance with the provisions of the indenture. By managing the fund effectively, the agent helps protect bondholder interests and reduces default risk.

d. Coupon Paying Agent

A coupon paying agent is a financial institution or organization appointed to manage and distribute interest payments (coupons) on bonds to bondholders. The agent receives funds from the issuing corporation and ensures that bondholders are paid their periodic interest on the scheduled due dates. In addition to distributing payments, the agent may handle the redemption of coupons when they mature, maintain accurate records of bondholders, and process transactions efficiently in accordance with the bond agreement. By fulfilling these responsibilities, the coupon paying agent provides assurance to investors that payments are made promptly and accurately, thereby supporting the issuer's credibility and maintaining investor confidence.

e. Retirement Plan or Provident Fund Management

Retirement plan or provident fund management is a specialized fiduciary service provided by financial institutions, trust companies, or third-party administrators to oversee employee retirement benefit schemes on behalf of an employer. The trustee or administrator is responsible for managing contributions, investing funds prudently, and ensuring compliance with applicable laws and regulations. These services help safeguard employee savings, provide transparency in fund administration, and support long-term financial security for plan participants. By entrusting retirement or provident fund management to a professional institution, employers can ensure that employee benefits are handled responsibly and that the funds are aligned with both regulatory requirements and the best interests of beneficiaries.

f. Investment Management Account (IMA)

An Investment Management Account (IMA) is a specialized fiduciary service offered by financial institutions to manage excess corporate funds that are not immediately required for operations. The objective is to maximize returns on currently unused funds through professional portfolio management, while aligning investments with the corporation's risk profile, liquidity needs, and long-term financial goals. By entrusting surplus funds to an IMA, corporations can ensure that idle resources are invested

prudently, generate additional income, and remain readily available when needed for future obligations or strategic initiatives.

g. Escrow

Escrow is a fiduciary service in which a neutral third party (the escrow agent) holds and manages funds, securities, or documents until specific conditions outlined in an agreement are fulfilled. In the corporate trust context, escrow arrangements may be required under franchise agreements, contractual obligations, property sales, or by government agencies in certain regulated activities. The escrow agent ensures that all parties comply with the agreed terms before releasing the assets, thereby reducing risk and fostering trust in complex transactions. By providing impartial oversight, escrow services safeguard the interests of all parties involved and support the smooth execution of corporate and regulatory requirements.

BANKING OFFICES

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ALABANG BRANCH

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AYALA AVENUE BRANCH

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AURORA BOULEVARD BRANCH

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8421-6599, 8911-0917 (Fax)
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3410-1047; 7006-8057 (Fax)
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ELCANO BRANCH*Philtrust Building*

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82423365; 8242-3375; 8242-3368 to 69; 8242-
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ESCOLTA BRANCH*Philtrust Building*

277 Escolta St.
Binondo, Manila
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8245-7737; 8245-7730
Mobile No. 09178321385

GREENHILLS BRANCH*Metrosquare Building*

224 Ortigas Avenue
West Greenhills, San Juan City
Tel Nos. 8531-4297; 8723-4470; 8724-5731;
8531-4296; 8531-4297 (Fax)
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LAS PIÑAS BRANCH*Philtrust Building*

Alabang - Zapote Road
Almanza Uno, Las Piñas City
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MAKATI BRANCH*835 Liberty Building*

A. Arnaiz Avenue, Makati City
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8893-6432; 8893-6333; 8892-6706;
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ERMITA BRANCH*Philtrust Building*

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GRACE PARK BRANCH

225 Rizal Avenue Extension,
West Grace Park, Caloocan City
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8364-1571 to 72; 8361-9529; 8361-9234;
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JUAN LUNA BRANCH*Philtrust Building*

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MAKATI-TORDESILLAS BRANCH*101 Le Metropole Condominium*

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MALABON CITY BRANCH

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MAYPAJO BRANCH

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Maypajo, Caloocan City
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NAIA 1 BRANCH

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ORTIGAS BRANCH

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SUCAT BRANCH

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CAGAYAN DE ORO BRANCH*Philtrust Building*

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Cogon District, Cagayan de Oro City
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CAVITE BRANCH*Philtrust Building*

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(032) 255-1676; (032) 401-3531;

(032) 505-8176; (02) 8668-0946;

(032) 254-6176 (Fax)

Mobile No. 09178316904

DAVAO RECTO BRANCH

Caritas Building

Claro M. Recto St., San Pedro

Davao City

Tel Nos. (082) 221-3919; (082) 227-7001

(082) 227-6231; (02) 8668-1402

Mobile No. 09178317902

DUMAGUETE CITY BRANCH*Philtrust Building*

Silliman Avenue corner Real St.

Dumaguete City, Negros Oriental

Tel Nos. (035) 522-3233; (035) 522-3234;

(02) 8668-0786; (035) 420-6410 (Fax)

Mobile No. 09985504591

LA UNION BRANCH

Diocesan Center

11 P. Gomez St.,

San Fernando City, La Union

Tel No. (072) 700-3144; (072) 700-3133;

(072) 242-2307; (02) 8668-1572

Mobile No. 09178308440

CEBU COLON BRANCH*Philtrust Building*

Colon cor. D. Jakosalem Sts.

Cebu City

Tel Nos.; (032) 254-7306; (032) 253-3054;

(032) 414-9292; (032) 328-8587;

(032) 255-4528; (02) 8668-1014;

(032) 414-9411 (Fax)

Mobile No. 09178316835

CEBU MAGALLANES BRANCH*Philtrust Building*

Magallanes corner F. Gonzales Sts.

Cebu City

Tel Nos. (032) 415-8181; (032) 256-1295;

(032) 254-9885; (032) 254-9892;

(032) 416-9045; (02) 8668-0931;

(032) 256-1298 (Fax)

Mobile No. 09985692349

DAVAO STA. ANA BRANCH*Philtrust Building*

Monteverde Ave. corner F. Bangoy St.

Sta. Ana, Davao City

Tel Nos. (082) 221-0755; (082) 222-5849;

(082) 311-1531; (082) 224-6663;

(02) 8668-1326

Mobile No. 09178318537

ILOILO CITY BRANCH*Philtrust Building*

Quezon St. corner Delgado St.

Iloilo City

Tel Nos. (033) 336-8772; (033) 509-3900;

(033) 336-2815; (02) 8668-1063;

(033) 336-2820 (Fax)

Mobile No. 09985622365

LIMAY BRANCH*Philtrust Building*

Brgy. Luz, National Road

Limay, Bataan

Tel Nos. (047) 275-2899; (047) 633-0098;

(02) 8668-1469; (047) 244-5728 (Fax)

Mobile No. 09985601486

LUCENA CITY BRANCH

Quezon Ave. corner Don Queblar St.
Lucena City, Quezon
Tel Nos. (042) 710-9071; (042) 322-9787;
(02) 8662-1134; (042) 710-9072 (Fax)
Mobile No. 09178317912

ROXAS CITY BRANCH

Philtrust Building
Roxas Ave. corner Primero de Mayo St.
Roxas City, Capiz
Tel Nos. (036) 621-3062; (036) 522-8586;
(02) 8668-1025; (036) 621-7648
(036) 621-3072 (Fax)
Mobile No. 09985318931

TUGUEGARAO CITY BRANCH

Philtrust Building
1 Bonifacio Street,
Tuguegarao City, Cagayan
Tel Nos. (078) 825-2282; (078) 825-2276;
Mobile No. 09209587901

NAGA CITY BRANCH

Philtrust Building
Caceres corner Elias Angeles Sts.
Naga City, Camarines Sur
Tel Nos. (02) 8370-7293; (054) 206-4598;
Mobile No. 09178318335

SANTIAGO CITY BRANCH

Philtrust Building
Maharlika Highway corner Abauag St.
Malvar, Santiago City, Isabela
Tel Nos. (078) 305-2692; (078) 305-2891;
(02) 8359-9346; (078) 305-2901 (Fax)
Mobile No. 09985101864

URDANETA CITY BRANCH

Philtrust Building
MacArthur Highway corner Ambrosio St.
Urdaneta City, Pangasinan
Tel Nos. (075) 522-3721; (075) 540-2065;
(075) 204-9021; (02) 8359-9276;
(075) 522-3774 (Fax)
Mobile No. 09985318656

SOON-TO-OPEN BRANCHES**TARLAC CITY BRANCH**

MacArthur Highway, Barangay Sto. Cristo,
Tarlac City

GENERAL SANTOS CITY BRANCH

Corner of Roxas Avenue, Osmeña Avenue,
and Nuestra Señora Dela Paz Street,
General Santos City

Bank website

For more information about the Bank, its products and services, please visit
www.philtrustbank.com



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philippine Trust Company (PHILTRUST BANK)
Philtrust Bank Building, 1000 United Nations Avenue
corner San Marcelino Street, Manila

Report on the Financial Statements

Opinion

We have audited the financial statements of Philippine Trust Company (PHILTRUST BANK) (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 ended December 31, 2025, 2024 and 2023, and notes to financial statements, including summary of 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 ended December 31, 2025, 2024 and 2023 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements as at and for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for and Valuation of Investment Securities

The Bank's investment securities consist of financial assets at amortized cost and financial assets at fair value through other comprehensive income, amounting to ₱83,950.2 million and ₱18,600.8 million, respectively, as at December 31, 2025. These represent 59.85% of the Bank's total assets.

We identified this as a key audit matter due to the significance of these balances to the financial statements and the judgment involved in recognition, classification, measurement and impairment assessment of these financial assets.



Our audit procedures, included, among others, (a) obtaining an understanding of the financial asset management and recording process; (b) verifying the existence of these investment securities through confirmations from custodians and inspection of supporting documents; (c) assessing the appropriateness of the classification of investment securities based on contractual cash flow characteristics and the Bank's duly approved business model; (d) testing the recognition and measurement of investment securities, including interest income, realized gains and losses and changes in fair values; and (e) evaluating management's assessment of impairment based on expected credit losses.

We also reviewed the adequacy of disclosures in Notes 3 and 8 to the financial statements.

Completeness and Accuracy of Loans and Receivables and Recognition of Interest Income, Including Transition to Loans Management System

In 2025, the Bank transitioned from traditional loan monitoring process to an automated loans management system (LMS). While the LMS is operational, certain activities, including the recognition of accrued interest and amortization of discounts, continue to be performed outside the system. As a result, loan processing and monitoring are carried out in a hybrid environment involving both system-generated and non-automated information.

Loans and receivables amounting to ₱34,468.4 million, represent 20.12% of the Bank's total assets as at December 31, 2025, while related interest income of ₱2,330.1 million represents 27.28% of the total interest income for the year.

We identified this as a key audit matter due to the significance of these balances, the volume and complexity of loan transactions, and the risks arising from the LMS implementation, including system configuration, and the operation of parallel processes alongside the LMS. These factors require careful consideration in ensuring the completeness and accuracy of loan data, the consistent application of loan terms, and appropriate recognition of interest income.

Our procedures included, among others, (a) obtaining an understanding of loan administration processes, including system changes introduced by LMS and the interaction between system-generated and parallel processes; (b) obtaining an understanding and evaluating the design of relevant controls over the LMS and key processes performed in parallel with the system, (c) testing the completeness and accuracy of loan records, including assessing the reliability of system-generated reports by tracing selected information to underlying loan documents on a sample basis; (d) recomputing interest income, accrued interest, and discount amortization for selected loan accounts based on contractual terms, and (e) verifying, on a sample basis, the classification and status of loan accounts.

The potential effects of the LMS transition on the allowance for credit and impairment losses are addressed in the related key audit matter, "Adequacy of Allowance for Credit and Impairment Losses on Loans and Receivables."

Relevant disclosures are included in Note 9 to the financial statements.



Adequacy of Allowance for Credit and Impairment Losses on Loans and Receivables

The Bank recognized allowance for credit and impairment losses on loans and receivables using the expected credit loss (ECL) model amounting to ₱3,129.8 million as at December 31, 2025.

The Bank's allowance for credit and impairment losses on loans and receivables is significant to our audit because it involves the exercise of significant management judgment, which include, among others, (a) determining the appropriate groupings of the Bank's credit risk exposures to establish the portfolio of counterparties with similar credit risk characteristics; (b) defining what constitutes a default; (c) determining the appropriate method to estimate the ECL; (d) identifying the exposures with significant increase in credit risk; (e) determining the relevant assumptions to be used in the ECL model; and (f) incorporating the appropriate forward-looking information in the ECL calculation.

Our audit procedures include understanding the methodologies and ECL model used by the Bank and assessing the compliance with the key requirements of PFRS 9, *Financial Instruments*. We have performed an independent assessment of the significant management judgment incorporated in and used in the preparation of the ECL model. We have also assessed the reliability of the data used in the ECL model through inspection of the source data.

We also checked the adequacy of disclosures made by the Bank in relation to the requirements of PFRS 9 and the discussion of the methodologies used and the related financial impact as disclosed in Notes 3, 4, 9 and 13 to the financial statements.

Other Information

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

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

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

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

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



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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 audits.



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

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

The engagement partner on the audit resulting in this independent auditors' report is Grace M. Albunian.

Report on the Supplementary Information Required under Section 174 and Appendix 55 of the Manual of Regulations for Banks by the Bangko Sentral ng Pilipinas, *Disclosure Requirements to the Audited Financial Statements*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Note 30 to the financial statements is presented for purposes of filing with the BSP and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of Philippine Trust Company (PHILTRUST BANK). The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.


GRACE M. ALBUNIAN

Partner

CPA Certificate No. 0144364

Tax Identification No. 410-858-879-000

BOA Accreditation No. 4782/P-024; Valid until June 6, 2026

SEC Accreditation No. 144364-SEC Group A

Issued October 21, 2025

Valid for Financial Periods 2025 to 2029

BIR Accreditation No. 08-005144-018-2024

Valid until November 25, 2027

PTR No. 10764003

Issued January 2, 2026, Makati City

March 24, 2026

Makati City, Metro Manila

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF FINANCIAL POSITION

Amounts in Thousands

		December 31	
	Note	2025	2024
ASSETS			
Cash and other cash items	6	₱922,061	₱1,188,237
Due from Bangko Sentral ng Pilipinas	6	17,223,530	8,213,773
Due from other banks	6	1,513,591	1,015,262
Securities purchased under resale agreement	7	8,550,000	5,130,000
Investment securities	8	102,551,007	123,100,788
Loans and receivables	9	34,468,392	30,729,643
Property and equipment	10	3,214,653	3,106,688
Investment properties	11	2,146,402	2,183,443
Deferred tax assets - net	26	367,611	370,229
Other assets	12	396,783	433,113
		₱171,354,030	₱175,471,176
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	14	₱146,408,219	₱151,557,824
Accrued interest, taxes and other expenses	15	336,332	360,787
Manager's checks		103,866	173,230
Unearned interest	8	106,684	308,933
Lease liabilities	24	115,839	112,879
Other liabilities	16	433,684	281,344
Total Liabilities		147,504,624	152,794,997
Equity			
Capital stock	18	10,000,000	10,000,000
Reserves	18	161,722	219,219
Retained earnings	18		
Unappropriated		15,923,243	16,395,828
Appropriated		800,000	-
Other equity reserves		(3,035,559)	(3,938,868)
Total Equity		23,849,406	22,676,179
		₱171,354,030	₱175,471,176

See accompanying Notes to Financial Statements.

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF INCOME

Amounts in Thousands, except Basic and Diluted Earnings per Share

	Note	Years Ended December 31		
		2025	2024	2023
INTEREST INCOME ON:				
Investment securities	8	₱5,796,533	₱7,062,658	₱6,228,442
Loans and receivables	9	2,330,138	2,229,102	1,685,932
Deposits from Bangko Sentral ng Pilipinas and other banks	6	255,244	199,528	386,719
Securities purchased under resale agreement	7	160,961	177,011	149,497
		8,542,876	9,668,299	8,450,590
INTEREST EXPENSE ON DEPOSIT LIABILITIES	14	5,124,961	6,502,809	5,308,184
NET INTEREST INCOME		3,417,915	3,165,490	3,142,406
PROVISION (REVERSAL OF ALLOWANCE) FOR CREDIT AND IMPAIRMENT LOSSES	13	118,027	(292,227)	(831,398)
OTHER OPERATING INCOME				
Net foreign exchange gains		165,303	278,217	36,295
Service fees and commissions		71,043	68,095	62,691
Gain on:				
Sale of investment securities	8	58,406	68,589	161,308
Sale of investment properties	11	31,671	53,835	7,378
Foreclosure of properties	11	16,370	87,596	106,473
Others - net	20	213,416	347,239	58,130
		556,209	903,571	432,275
OPERATING EXPENSES				
Compensation and employee benefits	21	1,043,752	1,000,431	1,012,151
Occupancy, depreciation and equipment-related expenses	22	230,048	200,874	208,817
Others	23	1,324,626	1,336,438	1,362,178
		2,598,426	2,537,743	2,583,146
INCOME BEFORE SALE OF QUOTED EQUITY SECURITY AND INCOME TAX		1,257,671	1,823,545	1,822,933
GAIN ON SALE OF QUOTED EQUITY SECURITY	8	—	—	473,035
INCOME BEFORE INCOME TAX		1,257,671	1,823,545	2,295,968
INCOME TAX EXPENSE	26	987,753	1,209,532	1,266,859
NET INCOME		₱269,918	₱614,013	₱1,029,109
BASIC AND DILUTED EARNINGS PER SHARE	19	₱0.27	₱0.61	₱1.03

See accompanying Notes to Financial Statements.

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF COMPREHENSIVE INCOME

Amounts in Thousands

		Years Ended December 31		
	Note	2025	2024	2023
NET INCOME		₱269,918	₱614,013	₱1,029,109
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items to be reclassified to profit or loss:</i>				
Net unrealized gains (losses) on fair value changes of debt securities	8	839,967	(1,035,120)	599,836
Translation adjustment		(5,642)	(120,529)	9,664
<i>Items not to be reclassified to profit or loss:</i>				
Net unrealized gains on fair value changes of equity securities	8	68,984	44,289	65,408
Remeasurement gain on retirement liability, net of deferred tax	21	–	303	753
		903,309	(1,111,057)	675,661
TOTAL COMPREHENSIVE INCOME (LOSS)		₱1,173,227	(₱497,044)	₱1,704,770

See accompanying Notes to Financial Statements.

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF CHANGES IN EQUITY

Amounts in Thousands

	Note	Years Ended December 31		
		2025	2024	2023
CAPITAL STOCK	18	₱10,000,000	₱10,000,000	₱10,000,000
RESERVES	18			
Balance at beginning of year		219,219	72,500	72,320
Transfer from (to) retained earnings for:				
General loan loss provision		(58,317)	144,305	–
Trust business		580	2,174	–
Self-insurance		240	240	180
Balance at end of year		161,722	219,219	72,500
RETAINED EARNINGS				
Unappropriated				
Balance at beginning of year		16,395,828	15,928,534	15,351,835
Appropriation		(800,000)	–	–
Net income		269,918	614,013	1,029,109
Transfer from (to) reserves for:	18			
General loan loss provision		58,317	(144,305)	–
Trust business		(580)	(2,174)	–
Self-insurance		(240)	(240)	(180)
Realized fair value loss on investment securities	8	–	–	(452,230)
Balance at end of year		15,923,243	16,395,828	15,928,534
Appropriated				
Balance at beginning of year		–	–	–
Appropriation	18	800,000	–	–
Balance at end of year		800,000	–	–
		16,723,243	16,395,828	15,928,534
OTHER EQUITY RESERVES				
Cumulative Unrealized Losses on Fair Value				
Changes of Investment Securities	8			
Balance at beginning of year		(4,158,162)	(3,167,331)	(4,284,805)
Net unrealized gains (losses)		908,951	(990,831)	665,244
Realized fair value gain reclassified to retained earnings		–	–	452,230
Balance at end of year		(3,249,211)	(4,158,162)	(3,167,331)
Cumulative Translation Adjustment				
Balance at beginning of year		211,042	331,571	321,907
Translation adjustment		(5,642)	(120,529)	9,664
Balance at end of year		205,400	211,042	331,571
Cumulative Remeasurement Gains on				
Retirement Liability	21			
Balance at beginning of year		8,252	7,949	7,196
Net remeasurement gain, net of deferred tax		–	303	753
Balance at end of year		8,252	8,252	7,949
		(3,035,559)	(3,938,868)	(2,827,811)
		₱23,849,406	₱22,676,179	₱23,173,223

See accompanying Notes to Financial Statements.

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

STATEMENTS OF CASH FLOWS

Amounts in Thousands

		Years Ended December 31		
	Note	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱1,257,671	₱1,823,545	₱2,295,968
Adjustments for:				
Depreciation and amortization	10	217,582	183,016	194,833
Net provision (reversal of allowance) for credit and impairment losses on:	13			
Loans and receivables		117,309	(297,681)	(821,496)
Investment securities		718	5,454	(9,902)
Amortization of premium of investment securities	8	108,101	108,205	88,201
Gain on sale of:				
Investment securities	8	(58,406)	(68,589)	(634,343)
Investment properties	11	(31,671)	(53,835)	(7,378)
Property and equipment	10	(1,636)	(273)	(164)
Accretion of interest on receivable	8	(87,934)	(87,934)	(43,969)
Dividend income	20	(72,923)	(47,222)	(4,143)
Retirement benefits	21	60,718	56,494	50,705
Gain on foreclosure of properties	11	(16,370)	(87,596)	(106,473)
Interest expense on lease liabilities	24	6,488	7,425	11,307
Provision (reversal of allowance) for impairment losses on investment properties	11	-	(80,604)	19,380
Reversal of long-outstanding liabilities	16	-	(35,632)	-
Gain on lease adjustment	24	-	(7,771)	-
Gain on pre-termination of lease contract	24	-	-	(705)
Operating income before working capital changes		1,499,647	1,417,002	1,031,821
Decrease (increase) in:				
Loans and receivables		(3,790,888)	(3,952,999)	(3,581,709)
Other assets		36,240	(71,862)	(38,020)
Increase (decrease) in:				
Deposit liabilities		(5,149,605)	(140,316)	4,625,614
Accrued interest, taxes and other expenses		(24,455)	(15,986)	168,384
Manager's checks		(69,364)	17,367	12,960
Unearned interest		(202,249)	(83,928)	392,861
Other liabilities		152,130	(18,862)	67,356
Net cash generated from (used for) operations		(7,548,544)	(2,849,584)	2,679,267
Income tax paid		(985,135)	(1,207,668)	(1,094,614)
Contributions to the retirement fund	21	(60,508)	(56,274)	(50,443)
Net cash provided by (used in) operating activities		(8,594,187)	(4,113,526)	1,534,210
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Maturities/disposal of investment securities	8	553,601,406	510,267,741	693,244,543
Sale of investment properties	11	60,431	280,937	24,784
Sale of property and equipment	10	37,022	59,016	11,165

(Forward)

		Years Ended December 31		
	Note	2025	2024	2023
Additions to:				
Investment securities	8	(P531,543,000)	(P505,295,025)	(P699,521,625)
Property and equipment	10	(230,635)	(140,090)	(94,654)
Computer software	12	(9,405)	(13,074)	(5,467)
Dividend received		72,923	47,222	1,614
Net cash provided by (used in) investing activities		21,988,742	5,206,727	(6,339,640)
CASH FLOWS FROM A FINANCING ACTIVITY				
Payments of lease liabilities	24	(75,629)	(68,305)	(73,662)
TRANSLATION ADJUSTMENT		(657,016)	(1,665,198)	242,927
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		12,661,910	(640,302)	(4,636,165)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		1,188,237	1,087,157	1,035,708
Due from Bangko Sentral ng Pilipinas		8,213,773	11,579,430	17,194,897
Due from other banks		1,015,262	1,169,066	1,196,557
Securities purchased under resale agreement		5,130,000	2,336,535	1,381,191
		15,547,272	16,172,188	20,808,353
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items	6	922,061	1,188,237	1,087,157
Due from Bangko Sentral ng Pilipinas	6	17,223,530	8,213,773	11,579,430
Due from other banks	6	1,513,591	1,015,262	1,169,066
Securities purchased under resale agreement	7	8,550,000	5,130,000	2,336,535
		P28,209,182	P15,547,272	P16,172,188
OPERATING CASH FLOWS FROM INTEREST				
Interest received		P8,532,145	P9,625,742	P8,872,824
Interest paid		5,129,876	6,440,205	5,279,862
NONCASH INFORMATION				
Recognition of:				
Right-of-use (ROU) assets	10	P78,769	P5,042	P179,044
Lease liabilities	24	78,769	5,042	178,174
Receivable resulting from sale of investment in quoted equity instruments	8	-	-	1,199,662
Foreclosure of properties	11	39,136	142,504	296,748
Adjustment on:				
ROU assets	10	-	142,994	-
Lease liabilities	24	-	(135,223)	-

See accompanying Notes to Financial Statements.

PHILIPPINE TRUST COMPANY (PHILTRUST BANK)

NOTES TO FINANCIAL STATEMENTS

Amounts in Thousands Unless Otherwise Stated

1. General Information

Philippine Trust Company (PHILTRUST BANK) (the Bank) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP). The Bank is primarily engaged in commercial banking. The Bank offers a wide range of products and services such as deposit products, loans, international services, treasury and trust functions. The Bank also provides investment management, estate administration, escrow services, insurance and pension plans, stock registry and transfer services.

The Bank is one of the oldest private commercial banks in the Philippines and was issued with a Certificate of Incorporation by the SEC on October 21, 1916.

The Bank has its primary listing on the Philippine Stock Exchange, Inc. (PSE) on February 17, 1988.

The Bank was conferred full universal bank status on June 5, 2007.

As at December 31, 2025 and 2024, the Bank operates a total of 63 and 61 branches, respectively. The Bank has 76 automated teller machines (ATM): 52 on-site, distributed at its head office and branches and 24 off-site.

The principal office of the Bank is at Philtrust Bank Building, 1000 United Nations Avenue corner San Marcelino Street, Manila.

Approval of the Financial Statements

The financial statements of the Bank as at December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 were approved and authorized for issuance by the Board of Directors (BOD) on March 24, 2026, as recommended for approval by the Audit Committee on March 23, 2026.

2. Summary of Material Accounting Policy Information

The material accounting principles adopted by the Bank were consistently applied with those in the previous years unless otherwise indicated.

Basis of Preparation and Statement of Compliance

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC.

This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), and the SEC pronouncements.

Measurement Bases

The financial statements have been prepared on a historical cost basis, except for:

- Investment securities measured at fair value through other comprehensive income (FVOCI);
- Retirement liability that is carried at the present value of defined benefit obligation less fair value of plan asset; and
- Lease liabilities recognized at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. 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 these transactions take 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 Bank measures the fair value of an asset or liability using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or liability measured at fair value has both bid and ask prices, the Bank uses the price within the bid-ask price spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Bank measures the fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use it in its highest and best use.

The Bank uses observable market data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Information about the assumptions made in measuring fair values is included in Note 3, *Significant Judgments, Accounting Estimates and Assumptions*, Note 4, *Financial Risk Management* and Note 11, *Investment Properties*.

Functional and Presentation Currency

The financial statements are presented in Philippine Peso. The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). Items in the financial statements of each banking unit are measured using the currency of the primary economic environment in which the banking unit operates (the functional currency).

The functional currency of the RBU and FCDU is the Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, the FCDU accounts are translated into their equivalent amounts in Philippine Peso. The financial statements of RBU and FCDU are combined after eliminating inter-unit accounts.

All values are rounded to the nearest thousands, unless otherwise indicated.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis of recoveries or settlements within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17, *Classification of Assets and Liabilities*.

Adoption of Amendments to PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*, January 1, 2025. The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability.

The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

The adoption of the amendments to PFRS Accounting Standards did not materially affect the financial statements of the Bank. Additional disclosures were included in the financial statements, as applicable.

New and Amendments to PFRS Accounting Standards Issued but Not yet Effective

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2026 -

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7 - *Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at FVOCI. Earlier application is permitted.

Annual Improvements to PFRS Accounting Standards Volume 11:

- Amendments to PFRS 7 – The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.
- Amendments to PFRS 9 - *Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to ‘*transaction price as defined by PFRS 15*’ to ‘*the amount determined by applying PFRS 15*’ to remove potential confusion. Earlier application is permitted.
- Amendments to PAS 7 - *Cost Method* – The amendments replace the term ‘cost method’ with ‘at cost’ following the deletion of the definition of ‘cost method’. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2027 -

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1 and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity’s assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS Accounting Standards is not expected to have any material effect on the financial statements of the Bank. Additional disclosures will be included in the notes to financial statements, as applicable.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition. The Bank recognizes a financial asset or a liability in the statement of financial position when the Bank becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Bank deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss 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.

Financial Assets

Classification. The Bank classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at FVOCI and (c) financial assets at amortized cost.

The classification of a financial asset largely depends on its contractual cash flow characteristics and the Bank’s business model for managing them.

The Bank does not have financial assets at FVPL as at December 31, 2025 and 2024.

Financial Assets at FVOCI - Debt Securities. For debt securities that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These debt securities are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt securities measured at FVOCI are recognized directly in profit or loss. Fair value changes are recognized in other comprehensive income and presented in the equity section of the statement of financial position. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Certain investments in government securities are included in this category.

Financial Assets at FVOCI - Equity Instruments. On initial recognition, equity instruments that are not held for trading may be irrevocably designated as a financial asset measured at FVOCI.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in other comprehensive income and presented in the equity section of the statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent years. On disposal of these equity securities, any cumulative gains or losses will be reclassified to retained earnings.

Investments in quoted and unquoted equity securities are classified under this category.

Financial Assets at Amortized Cost. Financial assets should be measured at amortized cost if both of the following conditions are met:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for credit and impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets are derecognized and through the amortization process.

Cash and other cash items, due from BSP and other banks, securities purchased under resale agreement, loans and receivables, certain investment in government securities (presented under "Investment securities" account), refundable deposits, other investments and returned checks and other cash items (RCOCI), included under "Others" in the "Other assets" account, are classified under this category.

Reclassification. The Bank reclassifies its financial assets when, and only when, the Bank changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, the financial asset is reclassified at its fair value at the reclassification date, and the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date.

Equity securities designated to be measured at FVOCI may no longer be reclassified to another category.

Impairment. The Bank recognizes an allowance for expected credit losses (ECL) for all debt instruments not measured at FVPL and for exposures arising from loan commitments and financial guarantee contracts. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate and adjusted for forward-looking estimates, as appropriate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The measurement of ECL reflects: (a) an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is a function of the probability of default, loss given default and exposure of default, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The probability of default represents the likelihood that the borrower will default either over the next 12 months or over the remaining life of the asset. Loss given default represents the Bank's expectation of the extent of loss on a default exposure. Exposure at default is 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, and expected drawdowns on committed facilities.

The Bank measures loss allowances at an amount equal to the 12-month ECL for the following:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Loans to customers and other financial instruments on which credit risk has not increased significantly since initial recognition.

The Bank considers its investment in debt securities to have a low credit risk when its credit risk rating is equivalent to "investment grade."

The 12-month ECL is the portion of ECL that results from default events on financial assets that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is determined, are referred to as "Stage 1 financial assets".

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL is the ECL that results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is determined but which are not credit-impaired, are referred to as "Stage 2 financial assets."

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Bank also considers downgrade of credit risk rating or changes in the computed probabilities of default to determine whether significant increase in credit risk has occurred subsequent to initial recognition date. As a backstop indicator, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. In subsequent reporting years, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Bank reverts them to Stage 1.

At each reporting date, the Bank assesses whether financial assets carried at amortized cost are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows. The Bank transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to the transfer. The quantitative indicator is characterized by payments made within an observation period. The qualitative indicator pertains to the results of assessment of the borrower's financial capacity. As a general rule, full collection is probable when payments of interest and/or principal are received for at least six months.

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

Modification or Restructuring. The Bank may modify the original terms and conditions of an existing loan, which may include, but are not limited to change in interest rates and terms, principal amount, maturity date and repayment schedule.

If modifications are considered substantial based in the assessment of the Bank, the loan is derecognized. Generally, a modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate is different by at least 10% from the discounted present value of remaining cash flows of the original asset.

On the other hand, if a loan has been renegotiated or modified without resulting in a derecognition, the Bank records a modification gain or loss to the extent that an impairment loss has not been already recorded based on the change in cash flows discounted at the loan's original effective interest rate.

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

- the right to receive cash flows from the asset has expired;
- the Bank retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

Classification. The Bank classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

The Bank does not have financial liabilities at FVPL as at December 31, 2025 and 2024.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes deposit liabilities, accrued interest and other expenses, manager's check, lease liabilities and other liabilities (excluding statutory liabilities, provision for impairment losses on commitments and contingent assets and retirement liability).

Classification of Financial Instrument between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Bank does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged, 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

If the modification of a financial liability is not accounted for as a derecognition then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in the statements of income.

Offsetting of Financial Assets and Liabilities

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 offset the recognized amounts and there is 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.

Repurchase and Reverse Repurchase Agreements

These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are entered into with the intention of immediate or short-term resale and are classified as financial assets held for trading. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell are presented as a separate line item in the statement of financial position.

Prepaid Expenses

Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or are recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the asset can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which these are incurred.

Depreciation and amortization are calculated using the straight-line method to allocate cost or residual values over the estimated useful lives as follows:

	Number of Years
Buildings and improvements	25
Furniture, fixtures and equipment	5
Transportation equipment	5
Right-of-use (ROU) assets	3 to 10 or the related lease term, whichever is shorter

The assets' estimated useful lives and depreciation and amortization method are reviewed and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever assets or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation, amortization and any impairment loss are removed from the accounts, any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties consist of foreclosed properties and properties held for capital appreciation that are not occupied by the Bank.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired, unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at carrying amount of the asset given up. Foreclosed properties are recognized as "Investment properties" upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the "Deed of Dacion" in case of dation in payment (dacion en pago). Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation, and any impairment in value. Land is carried at cost less any impairment losses.

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.

Depreciation is calculated on a straight-line basis using the remaining useful life from the time of acquisition of the investment properties but not to exceed 10 years for buildings, except if significant renovation is made thereon and the estimated useful life of the building has been extended.

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

Investment properties are derecognized upon disposal or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses arising on derecognition of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the item) are recognized in profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Bank assesses whether there is any indication of impairment on nonfinancial assets. 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 higher of an asset's (or cash-generating units) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

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 assessment of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less cost of disposal, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Reserves. Reserves represent the appropriation of retained earnings in relation to allowance for credit losses on loans receivables from customers which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes. These also include portion of the Bank's income from trust operations and reserve for contingencies and self-insurance.

Retained Earnings. Retained earnings include cumulative balance of net income or loss, effects of the changes in accounting policy and other capital adjustments. Appropriated retained earnings represent the portion which has been restricted and are not available for dividend declaration. Unappropriated retained earnings represent the portion which can be declared as dividends to stockholders.

Dividend Declaration. Dividends are recognized as a liability and deducted from equity when approved by the BOD of the Bank. Dividends for the year that are approved after year end are dealt with as an event after the reporting date.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under equity) that are not recognized in profit or loss for the year in accordance with PFRS Accounting Standards. Other comprehensive income (losses), which are accumulated under "Other equity reserves" account, pertain to cumulative unrealized gains (losses) on fair value changes of investment securities, cumulative translation adjustment and cumulative remeasurement gains on retirement liability.

Revenue Recognition

Revenue from contracts with customers is recognized when the customer obtains control of the services at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be measured reliably.

The Bank also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Bank has assessed that it acts as a principal in all of its revenue sources, except for revenue from trust operations.

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

Interest Income. For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective rate, transaction costs and all other premiums or discounts.

Any differences in the acquisition price of a financial asset from its maturity value is treated as "Unearned interest" and reported in the liability section of the statement of financial position.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Bank calculates interest income by applying the effective interest rate 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 Fees and Commissions. Service charges and penalties, which are presented as part of "Service fees and commissions" in profit or loss, are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability. Commissions arising from providing transaction services are recognized upon completion of the transaction.

Rent Income. Rent income arising on leased properties is accounted for on a straight-line basis of accounting over the lease terms of ongoing operating leases and is recognized in profit or loss as part of "Other Income." Contingent rent are recognized as revenue in the period in which these are earned

Dividend Income. Dividend income is recognized when the Bank's right to receive payment is established.

Other Income. Revenue is recognized when earned.

Costs and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized upon receipt of goods, utilization of services or when the costs and expenses are incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest rate of the financial liabilities to which these relate.

Operating Expenses. Operating expenses constitute costs which arise in the normal business operations and are recognized when incurred.

Leases

The Bank considers whether a contract contains a lease at the inception of a contract. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank as a Lessee. At commencement date of the lease, the Bank recognizes ROU assets and corresponding lease liabilities, except for short-term leases (defined as leases with a lease term of 12 months or less).

For short-term leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

ROU Assets

ROU assets are initially measured at cost, which consist of the initial measurement of the lease liabilities, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

Subsequent to initial measurement, the ROU assets are amortized on a straight-line basis using the expected useful life of three to 10 years or the lease term, whichever is shorter. In addition, ROU assets are periodically reduced by impairment losses, if any, an adjusted for certain remeasurements of lease liabilities.

ROU assets are presented as part of "Property and equipment" account in the statement of financial position.

Lease Liabilities

Lease liabilities are initially measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the Bank's incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liabilities consists of fixed payments and, if any, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liabilities will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the fixed payments. When the lease liabilities are remeasured, the corresponding adjustment is reflected in the ROU assets, or profit and loss if the ROU assets are already reduced to zero.

The Bank as a Lessor. Leases where the Bank retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rent is recognized as revenue in the period in which these are earned.

Employee Benefits

Short-term Benefits. Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonus, short-term compensated absences or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

Retirement Benefits. The Bank operates a funded, defined contribution (DC) plan covering its regular employees wherein the Bank pays a fixed contribution into a separate entity known as the trustee, which administers, manages and invests the funds. The Bank is covered under Republic Act (RA) No. 7641, *Retirement Law*, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

The Bank accounts for its retirement obligation as the higher of the DB obligation relating to the minimum guarantee and the DC plan. For the DB minimum guarantee plan, the retirement liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting year. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method.

Retirement benefit costs reflect services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. The Bank recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements, and net interest expense or income in profit or loss. Net interest expense or income is calculated by applying the discount rate to the net DB liability or asset. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Bank recognizes restructuring-related costs.

The DC liability is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for any margin on asset returns where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on unallocated plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent years.

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

Income Taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax. Deferred tax is provided using the liability method on all temporary differences at the statement of financial position 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 income tax assets are recognized for all deductible temporary differences, carry forward of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred income tax assets and liabilities are measured at the tax rates applicable to the year when the asset is realized or the liability is settled, based on tax rates (tax base) and regulations that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Foreign Currency Transactions

RBU. Transactions in currencies other than Philippine Peso are recorded at the rate of exchange prevailing on the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the reporting date. Foreign exchange gains or losses are recognized in profit or loss in the year in which these are incurred.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

FCDU. As at the reporting date, the assets and liabilities of the FCDU are translated into the Bank's functional and presentation currency using the BSP closing rate, and its income and expenses are translated at the BSP weighted average rate for the year. Exchange differences arising from translation of foreign currency are recognized as other comprehensive income under "Cumulative translation adjustment". Upon disposal of the FCDU or actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized as "Cumulative translation adjustment" in other comprehensive income is reclassified to profit or loss.

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. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Related party transactions are considered material and/or significant if (i) these transactions amount to 10% or higher of the Bank's total assets or, (ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Bank's total assets. Details of transactions entered into by the Bank with related parties are reviewed by the BOD in accordance with the Bank's related party transactions policies.

Earnings per Share (EPS)

The Bank presents basic and diluted EPS data for its common shares. Basic EPS is computed by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential common shares, if any.

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.

Segment Reporting

Operating segments are components of the Bank: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Bank); (b) whose operating results are regularly reviewed by the Bank's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Bank's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

Provisions

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

Where the Bank expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement.

Contingencies

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

Events after the Reporting Year

The Bank identifies events after the end of the reporting year as those events, both favorable and unfavorable, that occur between the end of the reporting year and the date when the financial statements are authorized for issue. The financial statements of the Bank are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting year. Non-adjusting events after the end of the reporting year are disclosed in the notes to financial statements, when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements requires management to exercise judgment, make estimates, and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the financial statements and related disclosures. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments

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

Determining the Classification of Financial Assets. Classification of financial assets depends on the results of the business model test and sole payment of principal and interest (SPPI) test performed by the Bank.

The Bank exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

Below are the factors considered by the Bank in its business model assessment, among others:

- Specific business objectives in holding the financial assets.
- Policies in managing the risks of the financial assets.
- Expected frequency, value and timing of sales.
- Key performance indicators of the financial assets.

The Bank also determines whether the contractual terms of debt securities classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are SPPI, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the SPPI test.

Determining the Functional Currency. The Bank uses its judgment to determine the functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- The currency that mainly influences sales price for financial instruments and services or the currency in which sales prices for its financial instruments and services are denominated and settled.
- The currency in which funds from financing activities are generated.
- The currency in which receipts from operating activities are usually retained.

Based on the foregoing and the economic substance of the underlying circumstances relevant to the Bank, the functional currency of the Bank has been determined to be the Philippine Peso, which is the currency of the primary economic environment in which the Bank operates.

Determining the Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates. The Bank, as a lessee, has existing lease agreements with related parties and third parties for its branches.

The Bank recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Bank's incremental borrowing rate, except for its short-term leases.

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

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

The Bank elected not to recognize ROU assets and lease liabilities for short-term leases. The Bank recognizes the lease payments associated with these leases as expense on a straight line basis over the lease term.

Significant management judgment was likewise exercised by the Bank in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROU assets and lease liabilities. The discount rate used is 2.78% to 7.08% in 2025 and 2024, which pertain to the incremental borrowing rates based on the Bloomberg Valuation Service (BVAL) rates adjusted by credit spread of the Bank.

Reassessments are made on a continuing basis whether changes should be reflected in the amount of lease liabilities due to circumstances affecting lease payments and discount rates.

The amounts recognized in the financial statements in relation to the Bank's lease agreements are disclosed in Notes 10 and 24.

Determining the Operating Segments. Determination of operating segments is based on the information about components of the Bank that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Bank determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment (see Note 29).

Evaluating Contingencies. The Bank is currently involved in legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential results. Management does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Information about the contingencies and commitments of the Bank are included in Note 28, *Commitments and Contingent Assets and Liabilities*.

Estimates and Assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

Determining the Fair Values of Financial Instruments. Certain financial assets and liabilities which are carried at fair value and whose fair values are disclosed, requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Bank utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

When the fair values of financial assets and liabilities recognized or disclosed in the financial statements cannot be derived from the active market, the fair values are determined using internal valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

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

Estimating the Credit and Impairment Losses on Financial Assets. Credit and impairment losses on financial assets are based on ECL. In assessing the ECL, the Bank uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Bank measures impairment loss based on the 12-month ECL for the following:

- Debt securities that are determined to have credit risk rating equivalent to "investment grade", and thus, a low credit risk at the reporting date.
- Receivables from customers and other financial instruments on which credit risk has not increased significantly since initial recognition.

The Bank measures impairment loss based on the lifetime ECL for receivables from customers for which credit risk has increased significantly since initial recognition, or when:

- Borrower or a group of borrowers are experiencing financial difficulty;
- Payment delinquency in principal and/or interest payments (missed payments);
- Financial or management reorganization which may impact borrower's ability to meet its contractual obligations with the Bank;
- There is adverse information gathered from credit bureau or industry sources;
- Borrower defaulted in his account/s with other lenders;
- Adverse changes in business, financial or economic conditions that are expected to impact the borrower's ability to pay obligations;
- Significant change in the value of the collateral or quality of third party guarantees which are expected to reduce borrower's economic incentive to pay their obligations;
- Change in the performance and behavior of the borrower;
- Borrower has missed payment for loan obligations between 16 and 90 days from due date or based on the approved curing period of the Bank; and
- Restructured account is in current status but has not yet established track record of six months' consecutive payments from restructuring date.

In estimating ECL, the Bank estimates the amounts and timing of future cash flows and collateral values and assesses whether there is a significant increase in credit risk. Below are the components considered in the calculation of ECL.

- Statistical models which are primarily based on regression analysis.
- Internal Credit Risk Rating (ICRR) and certain qualitative factors in determining whether there has been a significant increase in credit risk to determine when to measure lifetime credit losses.
- Latest fair values of collaterals and historical recovery rates of foreclosed assets for loss given default calculations.
- Segmentation of financial assets for collective assessment of ECL.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract, such as a default or past due event.
- The lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Financial Assets at FVOCI - Debt Securities

The Bank recognized provision for credit and impairment losses on debt securities classified as financial assets at FVOCI amounting to ₱402 and ₱2,258 in 2025 and 2024, respectively (see Note 13). Reversal of allowance for credit and impairment losses amounted to ₱5,828 and in 2023 (see Note 13).

Details of certain debt securities at FVOCI are disclosed in Note 8.

Financial Assets at Amortized Cost

The Bank recognized provision for credit and impairment losses on government securities and corporate bonds classified under financial assets at amortized cost amounting to ₱316 and ₱3,196 in 2025 and 2024, respectively (see Note 13). Reversal of allowance for credit and impairment losses recognized in 2023 amounted to ₱4,074 (see Note 13).

Details of certain financial assets at amortized cost are disclosed in Note 8.

Loans and Receivables

In 2025, the Bank recognized provision amounting to ₱117,309. A reversal of allowance for credit and impairment losses amounting to ₱297,681 and ₱821,496 was recognized in 2024 and 2023, respectively (see Note 13).

Details of loans and receivables are disclosed in Note 9.

Other Financial Assets at Amortized Cost

For other financial assets at amortized cost such as cash and other cash items, due from BSP and other banks, securities purchased under resale agreement, refundable deposits, other investments, and RCOI (included under "Others" in the "Other assets" account), no allowance for credit and impairment losses was recognized because these are placements with reputable counterparties that possess good ratings.

The carrying amount of the other financial assets at amortized cost are discussed in Notes 6, 7 and 12.

Commitments and Contingent Assets

The Bank has recognized allowance for impairment losses on commitments and contingent assets amounting to ₱14,257 as at December 31, 2025 and 2024 (see Note 13). These pertain to commitments and contingent assets which are not reflected in the financial statements.

Determining the Classification between Investment Properties and Owner-occupied Properties. The Bank determines whether a property qualifies as investment property. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the ordinary course of business.

Some properties consist of a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the ordinary course of business or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the ordinary course of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making judgment.

The Bank classifies all properties which have a portion that is earning rentals and another portion which are used in the ordinary course of business or used in administrative purposes as owner-occupied properties based on the criterion above. In this case, such properties were included under the "Property and equipment" account.

Estimating the Useful Lives of Depreciable Property and Equipment (including ROU Assets), and Investment Properties, and Computer Software. The Bank estimates the useful lives of depreciable property and equipment and investment properties, and computer software, and for purposes of computing depreciation and amortization based on the year over which the assets are expected to be available for use.

The estimated useful lives are reviewed annually and changed if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. However, it is possible that future results of operations could be materially affected by changes in factors mentioned in the foregoing. The amounts and timing of recorded expenses for any year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment, investment properties, and computer software would increase the recorded expenses and decrease assets.

There was no change in the estimated useful lives of the property and equipment and investment properties, and computer software in 2025 and 2024. The carrying amounts of depreciable assets are discussed in Notes 10, 11, and 12.

Assessing the Impairment on Nonfinancial Assets. The Bank assesses impairment on property and equipment (including ROU assets), investment properties, and computer software whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Bank considers important which could trigger an impairment review include the following:

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

There is no indicator that the nonfinancial assets, except for investment properties, are impaired. Accordingly, no provision for impairment losses on property and equipment and computer software was recognized 2025, 2024 and 2023.

In 2024, the Bank recognized a reversal of impairment losses on investment properties amounting to ₱80,604 (see Note 11).

The carrying amounts of the nonfinancial assets are discussed in Notes 10, 11, and 12.

Determining the Retirement Liability. The present value of the excess of the projected DB minimum guarantee over the projected DC obligation at the end of the reporting period depends on a number of factors that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Bank considers the interest rates of government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

Assessing the Realizability of Deferred Tax Assets. The Bank reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Any deferred tax asset will be re-measured if it might result in derecognition when the expected tax law to be enacted has a possible risk on the realization. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

Management assessed that it is not probable that sufficient future taxable profit will be available to allow all or part of the unrecognized deferred tax assets to be utilized.

The recognized and unrecognized deferred tax assets are further discussed in Note 26.

4. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Risk Management Framework

The BOD is responsible for establishing and maintaining a sound risk management framework. This includes understanding the nature and level of risks assumed by the bank. The overall management of risks lies on the business strategy as directed by the BOD through approved policies in risk management.

The Bank identifies the major risks and said major risks are classified between quantifiable risks and non-quantifiable risks. Quantifiable risks include liquidity risk, market risk and credit risk, while Non-Quantifiable risks include operational risk and other related risks where impact is considered.

Through the direction of the BOD, the following comprise the risk management structure of the Bank:

Executive Committee. The Executive Committee plays the crucial role of analyzing, evaluating, and approving product attributes such as: market, liquidity and credit risk; operations risk; control and compliance; audit, legal and regulatory; and system and technology issues for new activities/products.

Senior Management. The Senior Management is responsible for the implementation and ensure compliance of department personnel to Risk Management policies and oversee day-to-day operations within the bank. They are tasked to make recommendations and endorse reports from departments to the BOD.

Risk Oversight Committee (ROC). The ROC is responsible for the creation and oversight of the Bank's corporate risk policy. Along with the Risk-Taking Party and Risk Management Department (RMD), they are tasked to identify and analyze the risks faced by the Bank, to set and recommend to the BOD the quantified reports and assessment of risks exposures, and to ensure that each business unit continuously monitors the adequacy and soundness of policies, assumptions and practices.

Asset and Liability Committee (ALCO). The ALCO ensures that at all times the Bank maintains adequate liquidity, sufficient capital and appropriate funding to meet all business requirements and complies with all regulatory requirements.

Credit and Loan Review Committee (CLRC). The CLRC is primarily responsible for credit risk management of the Bank. It establishes the standards for credit analysis, define credit risk measurements, establish internal risk ratings and review the credit risk infrastructure's ability to support the Bank's risk policies.

Risk Management Department (RMD). The RMD is an independent business function that is tasked to identify, measure, mitigate, monitor and report risks from the Bank's trading, position-taking, lending, borrowing, and other transactional activities.

Audit Committee (AC). The AC is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management system in place in relation to the risks faced by the Bank. The Bank's AC is assisted in its oversight role by Internal Audit (IA). IA undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

Credit Risk

The Bank's credit risk arises from lending, trade finance, and investment activities and represents the risk of loss due to a borrower's or counterparty's failure to meet its contractual obligations.

Credit Risk Management

Measurement of Credit Risk. In measuring credit risk at a counterparty level, the Bank considers three components: (i) the probability of default by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development; and (iii) the likely recovery ratio on the defaulted obligations.

The Bank holds collateral on most of its loans and receivables in the form of mortgage interest over real property and deposits of the borrowers with the Bank. Estimates of fair value of the property are based on the value of collateral assessed at the time of borrowing and are updated periodically or when a loan is individually assessed as impaired.

Credit risk exposure to financial assets is managed through risk assessment of individual exposures, including the setting and regular review of transaction and counterparty limits, as well as lending authorities delegated to credit officers, to ensure that the credit risk is kept to acceptable levels.

Due from BSP and Other Banks and Securities Purchased Under Resale Agreement. The credit risk for due from BSP and other banks and securities purchased under resale agreement with the BSP is not considered significant because the counterparties are the BSP, which is considered risk free, and reputable banks with high quality external credit ratings.

As at December 31, 2025 and 2024, due from BSP and other banks and securities purchased under resale agreement are classified as "high grade" under Stage 1 financial assets.

Investments in Debt Securities. Investments in debt securities pertain to a portfolio of government securities. ECL for these investments is determined using the probability of default provided in Bloomberg. Investments in debt securities are classified as "high grade" under Stage 1 financial assets.

Loans and Receivables. In respect of loans to borrowers, the Bank is not exposed to any significant credit risk to any single counterparty. Credit risk is determined by the Bank after considering historical, forward-looking information and credit enhancements on collaterals. The credit risk for loans and receivables are considered minimal since loans are fully covered by collaterals.

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

The Bank's policy is to dispose of foreclosed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and through evaluating and offering credit terms, which includes reduced rates for down payment as compared to prevailing market rates.

Credit-related Commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Standby letters of credit carry the same risk as loans. Documentary and commercial letters of credit - which are written undertaking by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Maximum Exposure to Credit Risk before Collaterals Held or Other Credit Enhancements

Credit risk exposures relating to significant on-balance sheet financial assets are as follows:

	Note	2025	2024
Due from BSP	6	₱17,223,530	₱8,213,773
Due from other banks	6	1,513,591	1,015,262
Securities purchased under resale agreement	7	8,550,000	5,130,000
Investment securities*	8	102,160,193	122,778,958
Loans and receivables	9	34,468,392	30,729,643
		₱163,915,706	₱167,867,636

*Excluding equity securities

The above table represents the maximum credit exposure of the Bank without taking into account any collateral held or other credit enhancements. The exposures set out above are based on net carrying amounts as reported in the statements of financial position.

Credit risk exposures relating to off-balance sheet items are as follows:

	2025	2024
Trust department accounts	₱1,178,949	₱1,128,408
Unused commercial letters of credit	306,005	293,256
Outward bills for collection	15,171	40,507
Inward bills for collection	7,017	11,928
Late deposits	5,238	21,606
Trade related guarantees	1,138	-
Items held as collateral	9	11
	₱1,513,527	₱1,495,716

For loans receivable from customers, the credit quality is generally monitored using the Bank's internal rating system. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risk and the comparison of credit exposures across all lines of business, demographics and products. The rating system has two parts, namely: the borrower's risk rating and the facility risk rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information to provide the main inputs for the measurement of credit risk.

The Bank uses ICRR to classify the credit quality of its receivable portfolio. This is being upgraded, as necessary, to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment.

Descriptions and classifications of the loan grades used by the Bank for receivables from customers are as follows:

Risk Rating	Classification	Credit Quality
1	Excellent	High Grade
2	Strong	High Grade
3	Good	High Grade
4	Satisfactory	Standard Grade
5	Acceptable	Standard Grade
6	Watchlist	Standard Grade
7	Special Mention	Impaired
8	Substandard	Impaired
9	Doubtful	Impaired
10	Loss	Impaired

Risk Rating 1 – Excellent. The borrower has no history of delinquency and is paying as agreed.

A borrower in this category is highly liquid, can be sustained and has a strong repayment capacity. The financial condition of the borrower is good, with above industry average financial indicators.

The borrower has no existing disruptions and/or future disruptions are unlikely. The borrower is a market leader with above average profit, not dependent on a few customers and suppliers, and stable with good probability for growth.

Under this category, the borrower’s management ability demonstrated competence under the current business model, with well thought-out corporate strategy and sensible and efficient management structure.

Risk Rating 2 – Strong. The borrower has no history of delinquency and is paying as agreed.

A borrower in this category has strong operating trends and liquidity is adequate. The borrower has no existing disruptions and/or future disruptions are unlikely. The borrower’s management ability demonstrated competence under the current business model.

Borrower has a strong market and financial position with a history of successful performance. The overall debt service capacity as measured by cash flow to total debt service is very strong; the critical balance sheet ratios are within the industry average.

Risk Rating 3 – Good. The borrower is paying as agreed and no history of default in the last 12 months.

The borrower’s borrowing base supports the line of credit. The borrower has no existing disruptions and/or future disruptions are unlikely. The borrower’s management ability demonstrated competence under the current business model.

A borrower in this category usually exhibits characteristics of some degree of stability and substance and the probability of default is still quite low.

Risk Rating 4 – Satisfactory. The borrower under this category is paying as agreed and has adequate to marginal repayment capacity. There are disruptions identified from external factors but the borrower has or will likely overcome.

Risk Rating 5 – Acceptable. Borrower's account status is current. However, it has marginal liquidity. There is a declining trend in operations of the borrower.

This category represents borrowers who may still be able to withstand normal business cycles. However, any prolonged unfavorable economic and/or market condition would create an immediate deterioration beyond acceptable level.

Risk Rating 6 – Watchlist. Borrower's account status is current. However, the borrower is incurring delays of up to 30 to 60 days, but with probability that it will be brought back to current. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial requirements.

Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. Typically, the borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility.

Risk Rating 7 – Special Mention. There is an evidence of weakness in financial condition or credit-worthiness for borrowers under this category.

A borrower in this category is characterized by some probability of default, manifested by some or all of the following:

- Evidence of weakness in the borrower's financial condition or creditworthiness;
- Unacceptable risk generated by potential or emerging weaknesses as far as asset protection and/or cash flow is concerned. Concerns center on the potential for a continuation of unfavorable economic, market, or borrower specific conditions or trends, which may affect future debt service capacity;
- Indications that the borrower's ability or willingness to service debt are in doubt;
- Necessity or strong likelihood for rescheduling of the loan; and
- Decline in values of, or adverse developments on, collaterals securing the loan.

These loans have potential weaknesses that deserve close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan, and thus increase credit risk to the Bank.

Some of their basic characteristics are:

- Loans with missing collateral folders and documents including but not limited to title papers, mortgage instruments, and promissory notes.
- Loans to firms not supported by Board Resolutions authorizing the borrowing.
- Loans with no credit investigation report.
- Loans with no latest income tax returns and/or latest audited financial statements.
- Loans whose repayment may be endangered by economic or market conditions.
- Loans to borrowers whose properties securing the loan (previously well secured by collateral) have declined in value with other adverse information.
- Loans past due for more than 30 days up to 90 days.

A downgrade of the account to this rating (7 – Poor / Special Mention) becomes necessary when:

- The Bank is still a 'going concern', still performing and non-defaulting.
- Action and/or restructuring is imminent.
- A restructuring is perceived to be without any loss perspective.

Risk Rating 8 – Substandard. The borrower is currently highly vulnerable and is in a state of default. Substandard loans are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable or unsatisfactory characteristics. The debt burden for borrowers under this category is too heavy, with either weak or negative cash flows. These well-defined adverse elements exist in such loans where there is a possibility of future loss to the institution unless given closer supervision. Such adverse elements or political nature, or b) significant weakness in collateral.

Basic characteristics are:

- Past due and circumstances are such that there is an imminent possibility of foreclosure or acquisition of the collateral because of failure of all collection efforts.
- Past due loans to borrowers whose properties securing the loan have declined in value materially or have been found with defects as to ownership or other adverse information.
- Current loans to borrowers whose financial statements audited by SEC-accredited external auditors show impaired/negative net worth except for startup firms which should be elevated on a case-to-case basis.
- Renewed loans of borrowers with declining trend in operations, illiquidity, or increasing leverage trend in the borrower's financial statements without at least 20% repayment of the principal before renewal or extension.
- Current loans or borrowers with unfavorable results of operations for two consecutive years or with impaired/negative net worth except for startup firms which should be evaluated on a case-to-case basis.
- Loans under litigation.
- Loans past due for more than 90 days.

Risk Rating 9 – Doubtful. Borrower is in a state of default, where any of the following factors are present:

- Account is already in “non-performing loan” (NPL) status;
- Any portion of any principal and/or interest repayment is in arrears for more than 90 days;
- The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful; and
- Overdue loans wherein the prospects of full application of the value of the collateral to the loan is impaired due to material declines in market values of the collateral, or the collateral is subject of adverse claim.

While the extent of probability of loss cannot be exactly ascertained at this point, there may be certain pending important and reasonable factors from the borrowers’ side that can result in the strengthening of the assets of the borrower, which will thus work to the advantage of the lending bank. These pending assets-strengthening factors include merger, acquisition, additional capital infusion and additional cover.

Risk Rating 10 – Loss. Borrower is in a state of default and the prospect for re-establishment of creditworthiness and debt service is remote.

This category also applies where the Bank will take or has taken title to the assets of the borrower and is preparing a foreclosure and/or repossession.

Significant Increase in Credit Risk. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank’s historical experience and expert credit assessment and including forward-looking information. A significant increase in credit risk can be measured by comparing the probability of default of the counterparty as at reporting date from probability of default on the date of initial recognition.

Other indications may include, among others, potential credit weaknesses based on current and/or forward-looking information that warrant management’s close attention and adverse or foreseen adverse economic or market conditions that may affect the counterparty’s ability to meet the scheduled repayments in the future.

Definition of Default. The Bank considers default to have occurred when: (a) the obligor is past due for more than 90 days on any material credit obligation to the Bank; or (b) the obligor 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.

Credit Quality per Classification of Financial Assets

The Bank has developed and continually reviews and calibrates its internal risk rating system for large exposures aimed at uniformly assessing its credit portfolio in terms of risk profile.

The following table provides the analysis of credit quality of the of the Bank's financial assets (gross of allowance for credit and impairment losses) classified as Stage 1, 2 or 3 financial assets.

	2025			Total
	Stage 1	Stage 2	Stage 3	
Financial assets at amortized cost				
Due from BSP				
High grade	₱17,223,530	₱-	₱-	₱17,223,530
Due from other banks				
High grade	1,513,591	-	-	1,513,591
Securities purchased under resale agreement				
High grade	8,550,000	-	-	8,550,000
Government securities				
High grade	83,969,113	-	-	83,969,113
Loans receivable from customers				
Corporate:				
High grade	8,130,027	-	-	8,130,027
Standard grade	19,275,192	41,806	93,050	19,410,048
Past due	-	32,089	2,282,206	2,314,295
Individual:				
High grade	2,356,761	-	-	2,356,761
Standard grade	2,237,236	90,120	25,323	2,352,679
Past due	-	87,874	848,748	936,622
Receivable from sale of investment in government equity securities				
Substandard	-	-	1,419,497	1,419,497
Accrued interest				
High grade	634,778	-	-	634,778
Sales contracts receivables				
High grade	22,513	-	-	22,513
Other receivables				
High grade	20,932	-	-	20,932
Other assets*				
High grade	46,311	-	-	46,311
Financial assets at FVOCI				
Government securities				
High grade	18,232,222	-	-	18,232,222
	₱162,212,206	₱251,889	₱4,668,824	₱167,132,919

Includes refundable deposits, other investments and RCOCI under "Other Assets".

	2024			Total
	Stage 1	Stage 2	Stage 3	
Financial assets at amortized cost				
Due from BSP				
High grade	₱8,213,773	₱-	₱-	₱8,213,773
Due from other banks				
High grade	1,015,262	-	-	1,015,262
Securities purchased under resale agreement				
High grade	5,130,000	-	-	5,130,000
Government securities				
High grade	105,697,836	-	-	105,697,836
Loans receivable from customers				
Corporate:				
High grade	14,265,106	-	-	14,265,106
Standard grade	9,463,706	355,914	670,738	10,490,358
Past due	-	-	1,842,318	1,842,318
Individual:				
High grade	2,083,412	-	-	2,083,412
Standard grade	2,091,672	14,979	285,130	2,391,781
Past due	-	-	664,256	664,256
Receivable from sale of investment in government equity securities				
Substandard	-	-	1,331,563	1,331,563
Accrued interest				
High grade	624,047	-	-	624,047
Sales contracts receivables				
High grade	35,665	-	-	35,665
Other receivables				
High grade	13,588	-	-	13,588
Other assets*				
High grade	44,420	-	-	44,420
Financial assets at FVOCI				
Government securities				
High grade	17,120,947	-	-	17,120,947
	₱165,799,434	₱370,893	₱4,794,005	₱170,964,332

**Includes refundable deposits, other investments and RCOCI under "Other Assets".*

Present information on the concentration of credit risk exposure on financial assets as to industry as at December 31, 2025 and 2024:

	2025			
	Loans Receivables from Customers	Investment Securities ¹	Others ²	Total
Philippine government	₱-	₱102,201,335	₱-	₱102,201,335
Financial intermediaries	516,500	-	27,287,121	27,803,621
Wholesale and retail trade	16,452,901	-	-	16,452,901
Real estate, renting and business activities	5,869,369	-	-	5,869,369
Manufacturing	3,977,074	-	-	3,977,074
Agriculture	2,383,818	-	-	2,383,818
Construction	2,193,819	-	-	2,193,819
Accommodation and food service activities	1,173,664	-	-	1,173,664
Transportation, storage and communication	555,363	-	-	555,363
Education	399,803	-	-	399,803
Arts, entertainment and recreation	164,371	-	-	164,371
Water supply, sewerage, waste management	160,664	-	-	160,664
Health and social work	159,081	-	-	159,081
Information and communication	129,595	-	-	129,595
Administrative and support service activities	95,346	-	-	95,346
Professional, scientific and technical activities	48,943	-	-	48,943
Private households with employed persons	3,430	-	-	3,430
Mining and quarrying	3,150	-	-	3,150
Others	1,213,541	-	46,311	1,259,852
	35,500,432	102,201,335	27,333,432	165,035,199
Allowance for credit and impairment losses	(2,915,476)	(41,142)	-	(2,956,618)
	₱32,584,956	₱102,160,193	₱27,333,432	₱162,078,581

¹Comprised of financial assets at FVOCI and amortized cost (excluding equity securities).

²Comprised of due from BSP, due from other banks, securities purchased under resale agreement, refundable deposits, other investments, and RCOCI.

	2024			
	Loans Receivables from Customers	Investment Securities ¹	Others ²	Total
Philippine government	₱42,500	₱122,818,783	₱-	₱122,861,283
Financial intermediaries	423,157	-	14,381,578	14,804,735
Wholesale and retail trade	11,364,720	-	-	11,364,720
Real estate, renting and business activities	6,230,420	-	-	6,230,420
Manufacturing	3,712,868	-	-	3,712,868
Agriculture	2,355,603	-	-	2,355,603
Accommodation and food service activities	1,984,654	-	-	1,984,654
Construction	1,785,572	-	-	1,785,572
Information and communication	1,124,778	-	-	1,124,778
Transportation, storage and communication	422,899	-	-	422,899
Education	320,581	-	-	320,581
Arts, entertainment and recreation	280,193	-	-	280,193
Health and social work	200,675	-	-	200,675
Administrative and support service activities	91,243	-	-	91,243
Water supply, sewerage, waste management	81,484	-	-	81,484
Professional, scientific and technical activities	47,115	-	-	47,115
Private households with employed persons	3,770	-	-	3,770
Mining and quarrying	3,400	-	-	3,400
Others	1,261,599	-	21,877	1,283,476
	31,737,231	122,818,783	14,403,455	168,959,469
Allowance for credit and impairment losses	(2,812,298)	(39,825)	-	(2,852,123)
	₱28,924,933	₱122,778,958	₱14,403,455	₱166,107,346

¹Comprised of financial assets at FVOCI and amortized cost (excluding equity securities).

²Comprised of due from BSP, due from other banks, securities purchased under resale agreement, refundable deposits, other investments, and RCOCI.

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations in all currencies when they become due without incurring unacceptable losses or costs.

Liquidity Risk Management

The Bank manages liquidity by maintaining sufficient funding to meet its obligations as they fall due under both normal and stressed conditions. Liquidity is ensured through a combination of active management of liabilities, maintaining a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and access to funding sources such as money market lines and repurchase facilities. The BOD provides oversight over the Bank's liquidity risk management framework.

The table below shows the maturity profile of the Bank's financial assets and liabilities, based on contractual undiscounted cash flows (amounts in millions):

	2025				Total
	On Demand	Less than One Year	One to Five Years	Over Five Years	
Financial Assets					
Cash and other cash items	₱922	₱-	₱-	₱-	₱922
Due from BSP	17,224	-	-	-	17,224
Due from other banks	1,514	-	-	-	1,514
Securities purchased under resale agreement	-	8,550	-	-	8,550
Loans and receivables	-	32,777	1,923	450	35,150
Investment securities:					
Financial assets at FVOCI	-	-	7,594	10,616	18,210
Financial assets at amortized cost	-	58,915	4,892	20,143	83,950
Other assets	-	173	1,446	-	1,619
	19,660	100,415	15,855	31,209	167,139
Financial Liabilities					
Deposit liabilities	₱-	₱135,609	₱6,771	₱4,028	₱146,408
Manager's checks	-	104	-	-	104
Accrued interest and other expenses	-	260	-	-	260
Lease liabilities	-	53	80	-	133
Other liabilities	-	269	-	-	269
	-	136,295	6,851	4,028	147,174
	₱19,660	(₱35,880)	₱9,004	₱27,181	₱19,965
	2024				Total
	On Demand	Less than One Year	One to Five Years	Over Five Years	
Financial Assets					
Cash and other cash items	₱1,188	₱-	₱-	₱-	₱1,188
Due from BSP	8,214	-	-	-	8,214
Due from other banks	1,015	-	-	-	1,015
Securities purchased under resale agreement	-	5,130	-	-	5,130
Loans and receivables	-	21,733	4,857	4,565	31,155
Investment securities:					
Financial assets at FVOCI	-	-	5,637	11,462	17,099
Financial assets at amortized cost	-	75,000	10,397	20,282	105,679
Other assets	-	1	43	-	44
	10,417	101,864	20,934	36,309	169,524
Financial Liabilities					
Deposit liabilities	-	139,668	2,821	9,069	151,558
Manager's checks	-	173	-	-	173
Accrued interest and other expenses	-	289	-	-	289
Lease liabilities	-	67	102	-	114
Other liabilities	-	206	-	-	206
	-	140,403	2,923	9,069	152,340
	₱10,417	(₱38,539)	₱18,011	₱27,240	₱17,184

The Bank manages its short-term negative gap by taking measures to maintain long-term core deposits from regular clients and making available funds sourced from various other financial institutions, if necessary.

Liquidity Positions and Leverage of the Bank

To promote short-term resilience of bank's liquidity risk profile, the BSP requires banks and other regulated entities to maintain:

- over a 30-day calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consists of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Bank computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As at December 31, 2025 and 2024, LCR reported to the BSP is 515.07% and 612.20%, respectively.

The Bank also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100% on a daily basis under normal situations.

NSFR is as follows (amount in millions):

	2025	2024
Available stable funding	₱141,975	₱146,176
Required stable funding	40,087	37,235
NSFR	3.54	3.93

Market Risk

Market risk is the risk of loss due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Bank's overall portfolio. The value of these financial instruments may change as a result of changes in interest rate, foreign exchange rate, and other market factors. The Bank's market risk originates primarily from its inventory of foreign exchange and debt securities. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return on investments.

Interest Rate Risk

Interest rate risk involves the movements in interest rates across yield curves of financial instruments. The Bank is exposed to the risk of loss arising from fluctuations in the future cash flows or fair values of financial instruments due to change in market interest rates. The Bank manages its resources and liabilities to ensure that exposure to interest rates fluctuations are kept within acceptable limits. Interest rate risk is managed principally through monitoring interest rate gaps and the use of pre-approved limits for interest rate repricing.

The details of the Bank's exposure to interest rate risk at the reporting date are shown below in reference to their contractual repricing or maturity dates (amounts in millions):

	2025				
	Repricing			Non-Repricing	Total
	Less than One Year	One to Five Years	Over Five Years		
Financial Assets					
Due from BSP	₱-	₱-	₱-	₱17,224	₱17,224
Due from other banks	-	-	-	1,514	1,514
Securities purchased under resale agreement	8,550	-	-	-	8,550
Loans and receivables	32,777	1,923	450	-	35,150
Investment securities:					
Debt securities at FVOCI	-	-	-	18,210	18,210
Financial assets at amortized cost	-	-	-	83,950	83,950
	41,327	1,923	450	120,898	164,598
Financial Liabilities					
Deposit liabilities	135,609	6,771	4,028	-	146,408
Lease liabilities	-	-	-	133	133
	135,609	6,771	4,028	133	146,541
Total Interest Gap	(₱94,282)	(₱4,848)	(₱3,578)	₱120,765	₱18,057

	2024				
	Repricing			Non-Repricing	Total
	Less than One Year	One to Five Years	Over Five Years		
Financial Assets					
Due from BSP	₱-	₱-	₱-	₱8,214	₱8,214
Due from other banks	-	-	-	1,015	1,015
Securities purchased under resale agreement	5,130	-	-	-	5,130
Loans and receivables	28,664	2,128	363	-	31,155
Investment securities:					
Debt securities at FVOCI	-	-	-	17,099	17,099
Financial assets at amortized cost	-	-	-	105,679	105,679
	33,794	2,128	363	132,007	168,292
Financial Liabilities					
Deposit liabilities	₱139,668	₱2,821	₱9,069	₱-	₱151,558
Lease liabilities	-	-	-	113	113
	139,668	2,821	9,069	113	151,671
Total Interest Gap	(₱105,874)	(₱693)	(₱8,706)	₱131,894	₱16,621

The Bank computes stress test on interest sensitive assets and liabilities, except for financial assets at FVOCI through gapping.

The details of the reported stress testing on interest gaps at the reporting date are shown below (amounts in millions):

	2025			
	Less than One Month	One to Three Months	Over Three Months	Total
Peso-denominated Interest Sensitive Assets and Liabilities				
Assets	₱109,861	₱1,726	₱5,556	₱117,143
Liabilities	104,337	521	960	105,818
Gap	5,524	1,205	4,596	11,325
Cumulative Asset - Liability Gap	₱5,524	₱6,729	₱11,325	
Foreign-denominated Interest Sensitive Assets and Liabilities				
Assets	₱313	₱163	₱21	₱497
Liabilities	116	39	66	221
Gap	197	124	(45)	276
Cumulative Asset - Liability Gap	₱197	₱321	₱276	

	2024			Total
	Less than One Month	One to Three Months	Over Three Months	
Peso-denominated Interest Sensitive Assets and Liabilities				
Assets	₱79,499	₱35,140	₱2,148	₱116,787
Liabilities	104,600	683	842	106,125
Gap	(25,101)	34,457	1,306	10,662
Cumulative Asset - Liability Gap	(₱25,101)	₱9,356	₱10,662	
Foreign-denominated Interest Sensitive Assets and Liabilities				
Assets	₱-	₱-	₱448	₱448
Liabilities	-	224	-	224
Gap	-	(224)	448	224
Cumulative Asset - Liability Gap	₱-	(₱224)	₱224	

The details of the reported impact of negative gaps on net interest income at the reporting date are shown below (amounts in millions):

	2025		2024	
	Amount	Percentage to Net Income	Amount	Percentage to Net Income
Peso-denominated				
50 bps increase in Php interest rates	₱56.63	20.98%	₱53.31	8.68%
100 bps increase in Php interest rates	113.25	41.96%	106.61	39.50%
Foreign-denominated				
50 bps increase in USD interest rates (in USD)	\$0.02	0.01%	\$0.02	0.00%
100 bps increase in USD interest rates (in USD)	0.05	0.02%	0.05	0.01%
50 bps increase in USD interest rates (in Php)	1.38	0.51%	1.32	0.21%
100 bps increase in USD interest rates (in Php)	2.75	1.02%	2.65	0.42%
Peso-denominated				
50 bps decrease in Php interest rates	(56.63)	(20.98%)	(53.31)	(8.68%)
100 bps decrease in Php interest rates	(113.25)	(41.96%)	(106.61)	(39.50%)
Foreign-denominated				
50 bps decrease in USD interest rates (in USD)	(0.02)	(0.01%)	(0.02)	(0.00%)
100 bps decrease in USD interest rates (in USD)	(0.05)	(0.02%)	(0.05)	(0.01%)
50 bps decrease in USD interest rates (in Php)	(1.38)	(0.51%)	(1.32)	(0.21%)
100 bps decrease in USD interest rates (in Php)	(2.75)	(1.02%)	(2.65)	(0.42%)

The Bank also calculates price volatility on debt securities at FVOCI (through modified duration) in case of changes in interest rates. The following details are shown below:

	2025				
	Market value	- 50 bps	- 100 bps	+ 50 bps	+ 100 bps
Foreign-denominated					
≥Five to 15 years	\$203,167	\$4,629	\$9,257	(\$4,629)	(\$9,257)
Over 15 years	106,579	6,798	13,596	(6,798)	(13,596)
Total in USD	309,746	11,427	22,853	(11,427)	(22,853)
Total in Philippine Peso	₱18,209,969	₱671,774	₱1,343,549	(₱671,774)	(₱1,343,549)
As percentage of financial assets at FVOCI		3.69%	7.38%	(3.69%)	(7.38%)

	2024				
	Market value	- 50 bps	- 100 bps	+ 50 bps	+ 100 bps
Foreign-denominated					
≥Five to 15 years	\$193,967	\$5,066	\$10,132	(\$5,066)	(\$10,132)
Over 15 years	101,640	6,622	13,245	(6,622)	(13,245)
Total in USD	295,607	11,688	23,377	(11,688)	(23,377)
Total in Philippine Peso	₱17,099,390	₱676,117	₱1,352,234	(₱676,117)	(₱1,352,234)
As percentage of financial assets at FVOCI		3.95%	7.91%	(3.95%)	(7.91%)

Foreign Exchange Risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

In translating the foreign currency-denominated monetary assets into Peso, the exchange rates used were ₱58.79 to US\$1 as at December 31, 2025 and ₱56.03 to US\$1 as at December 31, 2024.

Information on the Bank's foreign currency-denominated monetary assets and liabilities in their Philippine Peso equivalents follows:

	2025		2024	
	USD	In Peso	USD	In Peso
Financial Assets				
Cash and other cash items	\$3,196	₱187,891	\$7,882	₱455,954
Due from other banks	20,182	1,186,529	10,606	613,520
Accrued interest receivables	8,441	496,261	8,441	488,284
Investment securities:				
Financial assets at FVOCI	287,447	16,898,996	274,327	15,868,417
Financial assets at amortized cost	314,119	18,468,047	314,639	18,200,272
	633,385	37,237,724	615,895	35,626,447
Financial Liabilities				
Deposit liabilities:				
Savings	38,061	2,237,606	35,252	2,039,169
Time	584,707	34,374,903	593,143	34,310,341
Other liabilities	3,756	220,832	3,779	218,588
	626,524	36,833,341	632,174	36,568,098
Net foreign currency-denominated assets	\$6,861	₱404,383	(\$16,279)	(₱941,651)

Foreign currency liabilities generally consist of foreign currency deposits in the Bank's FCDU, 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.

Foreign currency deposits are generally used to fund the Bank's foreign currency denominated loans and FCDU investment portfolio. Banks are required by the BSP to match foreign currency assets with the foreign currency liabilities held through FCDU. In addition, the BSP requires a 30% liquidity reserve on all foreign currency liabilities held through FCDU.

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

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from Bank operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Fair Value Estimation

The fair value hierarchy of the Bank's financial assets and liabilities measured at fair values is presented below:

	2025				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Assets					
Cash and other cash items	₱922,061	₱922,061	₱-	₱-	₱922,061
Due from BSP	17,223,530	17,223,530	-	-	17,223,530
Due from other banks	1,513,591	1,513,591	-	-	1,513,591
Securities purchased under resale agreement	8,550,000	8,550,000	-	-	8,550,000
Loans and receivables	34,468,392	-	-	34,468,392	34,468,392
Financial assets at FVOCI:					
Debt securities -					
Government securities	18,209,969	18,209,969	-	-	18,209,969
Equity securities:					
Quoted equity securities	390,646	390,646	-	-	390,646
Unquoted equity securities	168	-	-	168	168
Financial assets at amortized cost -					
Government securities	83,950,224	83,950,224	-	-	83,950,224
Other assets*	46,312	-	-	46,312	46,312
	₱165,274,893	₱130,760,021	₱-	₱34,514,872	₱165,274,893

Liabilities					
Deposit liabilities	₱146,408,219	₱-	₱146,408,219	₱-	₱146,408,219
Accrued interest and other expenses	259,822	-	259,822	-	259,822
Manager's check	103,866	103,866	-	-	103,866
Lease liabilities	68,255	-	115,839	-	115,839
Other liabilities**	351,913	-	-	351,913	351,913
	₱147,192,075	₱103,866	₱146,783,880	₱351,913	₱147,239,659

*Includes refundable deposits, other investments and RCOCI under "Other Assets".

**Excluding statutory liabilities, provision for impairment losses on commitments and contingent assets and retirement liability.

	2024				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Assets					
Cash and other cash items	₱1,188,237	₱1,188,237	₱-	₱-	₱1,188,237
Due from BSP	8,213,773	8,213,773	-	-	8,213,773
Due from other banks	1,015,262	1,015,262	-	-	1,015,262
Securities purchased under resale agreement	5,130,000	5,130,000	-	-	5,130,000
Loans and receivables	30,729,643	-	-	30,729,643	30,729,643
Financial assets at FVOCI:					
Debt securities -					
Government securities	17,099,390	17,099,390	-	-	17,099,390
Equity securities:					
Quoted equity securities	321,662	321,662	-	-	321,662
Unquoted equity securities	168	-	-	168	168
Financial assets at amortized cost -					
Government securities	105,679,568	105,329,167	-	-	105,329,167
Other assets*	44,420	-	-	44,420	44,420
	₱169,422,123	₱138,297,491	₱-	₱30,774,231	₱169,071,722

Liabilities					
Deposit liabilities	₱151,557,824	₱-	₱151,557,824	₱-	₱151,557,824
Accrued interest and other expenses	289,204	-	289,204	-	289,204
Manager's check	173,230	173,230	-	-	173,230
Lease liabilities	112,879	-	112,879	-	112,879
Other liabilities**	206,091	-	-	206,091	206,091
	₱152,339,228	₱173,230	₱151,959,907	₱206,091	₱152,339,228

*Includes refundable deposits, other investments and RCOCI under "Other Assets".

**Excluding statutory liabilities, provision for impairment losses on commitments and contingent assets and retirement liability.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Other Cash Items, Due from BSP and Other Banks, Securities Purchased Under Resale Agreement, Refundable Deposits, Other Investments, and RCOCI. The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments, or it approximates the amounts expected to be received.

Debt Securities. This pertains to government-issued debt securities. Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity Securities. This includes quoted and unquoted equity securities. For publicly traded equity securities, fair values are based on quoted prices published in the Philippine equity markets. For unquoted equity securities for which no reliable basis for fair value measurement is available, these are carried at cost net of impairment, if any.

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

Generally, significant increases (decreases) in rate would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in effective interest rate would result in a significantly lower (higher) fair value measurement.

Deposit Liabilities. Carrying amounts of deposit liabilities approximate fair values considering that these are currently due and demandable.

Manager's Checks. Carrying amounts approximate fair values due to the short-term nature of the accounts.

Lease Liabilities. Carrying amounts of lease liability approximates its fair value as these are measured at the present value of lease payments to be made over the lease term using the Bank's incremental borrowing rates based on the BVAL rates.

Accrued Interest and Other Expenses and Other Liabilities. Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Bank's total portfolio.

There were no transfers between levels 1, 2 and 3 during the year.

5. Capital Risk Management

The Bank's capital management seeks to maintain adequate capital levels at all times, not only to comply with externally imposed capital requirements, maintain healthy capital ratios in order to support its business, withstand plausible stress events but also to optimize shareholders' value.

The Bank actively manages its capital structure and makes adjustments in light of the changes in economic conditions and the risk characteristics of its activities. In so doing, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made to the objectives, policies, and processes as at December 31, 2025 and 2024.

Capital Management

Under the existing BSP regulations, the determination of compliance with regulatory requirements and ratios is based on the amount of the "qualifying capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of the Regulatory Accounting Principles (RAP) that differ from PFRS Accounting Standards in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR) expressed as a percentage of qualifying capital to risk-weighted assets should not be less than 10% at all times.

Qualifying capital and risk-weighted assets are computed based on the RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

The CAR of the Bank as at December 31, follows (amounts in millions):

<i>Amounts in Thousands</i>	2025	2024
Common Equity Tier 1 (CET1) capital	₱23,011	₱21,810
Additional Tier 1 (AT1) capital	–	–
Tier 1 capital	23,011	21,810
Required deductions	–	–
Tier 1 capital	23,011	21,810
Tier 2 capital	402	256
Total Qualifying Capital	₱23,413	₱22,066
Total RWA	₱71,072	₱64,549
CET1/Tier 1 capital ratio	32.38%	33.78%
Tier 2 capital ratio	0.56%	0.40%
Total capital ratio	32.94%	34.18%

The Bank has fully complied with the CAR requirement of the BSP as at December 31, 2025 and 2024.

The Bank, as a universal bank with 63 branches, including Head Office, as at December 31, 2025 and 2024, is required to maintain a minimum capital of ₱15.0 billion. Accordingly, the Bank maintains an acceptable level of equity to comply with the minimum capital requirement. As at December 31, 2025 and 2024, the Bank has complied with the required capitalization.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, the PSE requires listed entities to maintain a minimum of 10% of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Bank has fully complied with this requirement.

The BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. 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. It also reinforces the risk-based requirements with a simple, non-risk based “backstop” measure. The BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As at December 31, the BLR reported to the BSP is as follows (amounts in millions):

	2025	2024
Tier 1 capital	₱23,011	₱21,810
Total exposure measure	171,071	175,211
BLR	13.45%	12.46%

The BLR is computed based on the RAP. The Bank is compliant with the BSP requirements as at December 31, 2025 and 2024.

6. Cash and Cash Equivalents

This account consists of:

	Note	2025	2024
Cash and other cash items		₱922,061	₱1,188,237
Due from BSP:			
Time deposit		10,000,000	–
Demand deposit	14	5,693,530	8,213,773
Overnight deposit		1,530,000	–
Due from other banks		1,513,591	1,015,262
		₱19,659,182	₱10,417,272

Due from other banks represents balances of funds on deposit with other domestic and foreign banks.

Due from BSP represents the deposit balance maintained with the BSP to meet reserve requirements.

The range of average interest rates follows:

	2025	2024	2023
Due from BSP	4.00% to 5.25%	5.00% to 7.30%	5.00% to 6.76%
Due from other banks	0.025% to 0.125%	0.03% to 1.45%	0.01% to 0.06%

Interest income amounted to ₱255,244, ₱199,528 and ₱386,719 in 2025, 2024 and 2023, respectively.

7. Securities Purchased under Resale Agreement

These pertain to the overnight placements with the BSP as at December 31, 2025 and 2024, where the underlying securities cannot be sold or re-pledged to parties other than the BSP. Effective interest earned from these placements ranges from 4.50% to 5.75% in 2025, 5.00% to 6.58% in 2024, and from 5.50% to 6.48% in 2023.

As at December 31, 2025 and 2024, the account amounted to ₱8,550,000 and ₱5,130,000, respectively.

Interest income amounted to ₱160,961, ₱177,011 and ₱149,497 in 2025, 2024 and 2023, respectively.

8. Investment Securities

Details and movements of this account are as follows:

	Note	2025		
		Financial Assets at		
		Amortized Cost	FVOCI	Total
Balances at beginning of year		₱105,679,568	₱17,421,220	₱123,100,788
Maturities/disposals		(553,043,000)	(500,000)	(553,543,000)
Additions		531,043,000	500,000	531,543,000
Net unrealized fair value gain		–	908,951	908,951
Translation adjustment		305,467	344,620	650,087
Net amortization of premium		(34,495)	(73,606)	(108,101)
		83,950,540	18,601,185	102,551,725
Provision for impairment losses	13	(316)	(402)	(718)
Balances at end of year		₱83,950,224	₱18,600,783	₱102,551,007

	Note	2024		
		Financial Assets at		
		Amortized Cost	FVOCI	Total
Balances at beginning of year		₱107,994,772	₱19,482,027	₱127,476,799
Maturities/disposals		(508,295,780)	(1,903,372)	(510,199,152)
Additions		505,227,480	67,545	505,295,025
Translation adjustment		782,990	849,616	1,632,606
Net unrealized fair value gain		–	(990,831)	(990,831)
Net amortization of premium		(26,698)	(81,507)	(108,205)
		105,682,764	17,423,478	123,106,242
Provision for impairment losses	13	(3,196)	(2,258)	(5,454)
Balances at end of year		₱105,679,568	₱17,421,220	₱123,100,788

Interest income on investment securities consists of:

	2025	2024	2023
Financial assets at amortized cost	₱5,150,362	₱6,339,963	₱5,484,434
Financial assets at FVOCI	646,171	722,695	744,008
	₱5,796,533	₱7,062,658	₱6,228,442

Details on sale/maturity of investment securities are as follows:

	2025	2024	2023
Proceeds/consideration	₱553,601,406	₱510,267,741	₱693,244,543
Carrying amount	553,543,000	510,199,152	693,083,235
Gain on sale	₱58,406	₱68,589	₱161,308

In 2023, the Bank sold its investment in Philippine Bank of Commerce (PBCOM) with a carrying amount of ₱726,627 for ₱1,199,662, resulting to a gain of ₱473,035. A receivable from sale of investment in quoted equity shares was recognized from the sale and is treated as a non-cash transaction.

Financial Assets at Amortized Cost

This account consists of investment in government securities.

The range of average interest rates of financial assets at amortized cost follows:

	2025	2024	2023
Peso-denominated	3.50% to 6.25%	2.38% to 7.25%	2.38% to 7.25%
Foreign-denominated	2.46% to 5.95%	2.46% to 5.95%	2.46% to 5.95%

Interest income from certain financial assets at amortized cost amounted to ₱5,150,362, ₱6,339,963 and ₱5,484,434 in 2025, 2024 and 2023, respectively.

Financial assets at amortized cost include BSP bills amounting to ₱55,000,000 and ₱75,000,000 as at December 31, 2025 and 2024, respectively. Interest income on BSP bills were received in advance, net of final tax. Unearned interest amounted to ₱106,684 and ₱308,933 as at December 31, 2025 and 2024, respectively.

Details on sale/maturity of financial assets at amortized cost are as follows:

	2025	2024	2023
Proceeds	₱553,091,440	₱508,297,912	₱690,993,209
Carrying amount	553,043,000	508,295,780	690,889,360
Gain on sale	₱48,440	₱2,132	₱103,849

Financial Assets at FVOCI

This account consists of:

	2025	2024
Government-issued debt securities	₱18,209,969	₱17,099,390
Equity securities:		
Quoted	390,646	321,662
Unquoted	168	168
	390,814	321,830
	₱18,600,783	₱17,421,220

Government-issued Debt Securities. Investments in government-issued debt securities pertain to treasury notes, treasury bonds and dollar-denominated bonds issued by the Philippine government. The fair values of these debt securities are reported using quoted market prices as at reporting date.

The Bank has been managing its debt securities under the financial asset at FVOCI business model to address potential liquidity issues. As at December 31, 2025 and 2024, the Bank has assessed that it has sufficient liquid assets.

Quoted market prices vary with prevailing interest rates in 2022. The fair values of the debt securities decreased significantly resulting to unrealized losses on fair value changes amounting to ₱5,471,928 recognized in other comprehensive loss pursuant to the financial reporting standard. The situation arose due to policy increases in interest rates decided upon by the authorities to control inflation. An increase in prevailing interest rates automatically reduces the reported value of fixed income securities considered as securities held for sale and classified as financial assets. In 2023, a turnaround in market interest rates occurred resulting to an unrealized fair value loss of ₱665,244 during the year. However, additional unrealized losses on fair value changes were incurred in 2024 amounting to ₱990,831.

The Bank can hold these securities to maturity at which time these are scheduled to be redeemed at their principal value. However, the Bank can also dispose of these investments should the market conditions improve. If the Bank will hold to these securities up to its maturity, there should have been no unrealized fair value losses.

The range of average interest rates of debt securities at FVOCI is as follows:

	2025	2024	2023
Foreign-denominated	1.65% to 6.38%	1.65% to 6.38%	1.65% to 6.38%
Peso-denominated	–	–	–

Interest income from financial assets at FVOCI amounted to ₱646,171, ₱722,695 and ₱744,008 in 2025, 2024 and 2023, respectively.

Quoted Equity Securities. Investments in quoted equity securities pertain to various shares of companies listed in the PSE. Fair values of quoted equity securities are based on quoted market prices as at reporting date.

As mandated by the BSP, on July 7, 2023, the Bank sold its investment in PBCOM for a consideration amounting to ₱1,639,330 through the execution of Contract of Purchase and Sale (CPS), resulting to a gain of ₱473,035. The consideration, which will be received through a one-time payment at the end of the five-year term, is recognized as "Receivables from sale of investment in quoted equity shares" presented under "Loans and receivables" account, net of unearned discount (see Note 9). The resulting gain from the divestment is presented separately in the statements of income as "Gain on sale of quoted equity security" since it arose from a private sale in compliance with the BSP mandate. Consequently, the Bank's income before and after the divestment are presented in the statements of income because management assessed that these are relevant to the understanding of the Bank's financial performance.

Details are as follows:

	Note	2025	2024
Proceeds		₱1,639,330	₱1,639,330
Unearned discount		307,767	395,701
Accretion	9	(87,934)	(87,934)
		219,833	307,767
Carrying amount	9	₱1,419,497	₱1,331,563

The incremental rate for similar type of instruments were used in the discounting the receivables in 2023, as the CPS does not bear interest. Provision for credit and impairment losses amounting to ₱13,190 was recognized in 2025 and 2024. Allowance for credit and impairment losses on the receivable from sale of investment in PBCOM shares amounted to ₱212,924 and ₱199,734 as at December 31, 2025 and 2024, respectively (see Note 13). Realized fair value loss at the time of sale amounting to ₱452,230 was adjusted against retained earnings in 2023.

Unquoted Equity Securities. This account is comprised of shares of stock of private corporations that are carried at cost since fair value cannot be reliably estimated due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is currently no market for these investments and the Bank intends to hold them for long-term.

Movements in cumulative unrealized losses on fair value changes of financial assets at FVOCI are as follows:

	2025	2024
Balance at beginning of year	(₱4,158,162)	(₱3,167,331)
Unrealized fair value gains (losses)	909,353	(988,573)
Reversal of allowance (provision) for impairment losses	(402)	(2,258)
Net unrealized gains (losses)	908,951	(990,831)
Balance at end of year	(₱3,249,211)	(₱4,158,162)

Details on sale/maturity of financial assets at FVOCI are as follows:

	2025	2024	2023
Proceeds/consideration*	₱509,966	₱1,969,829	₱3,450,996
Carrying amount	500,000	1,903,372	2,920,502
Gain on sale	₱9,966	₱66,457	₱530,494

*Includes receivable from the sale of investment in quoted equity shares as at December 31, 2023.

Dividend income from quoted and unquoted equity securities amounted to ₱72,923, ₱47,222 and ₱4,143 in 2025, 2024 and 2023, respectively (see Note 20).

9. Loans and Receivables

This account consists of:

	Note	2025	2024
Loans receivable from customers:			
Corporate		₱29,842,660	₱26,597,782
Individual		5,657,772	5,139,449
		35,500,432	31,737,231
Receivable from sale of investment in quoted equity shares	8	1,419,497	1,331,563
Accrued interest		634,778	624,047
Sales contract receivables		22,513	35,665
Others		20,932	13,588
		2,097,720	2,004,863
		37,598,152	33,742,094
Allowance for credit and impairment losses	13	(3,129,760)	(3,012,451)
		₱34,468,392	₱30,729,643

Loans receivable from customers consists of:

	2025	2024
Bills discounted loans	₱14,558,849	₱16,061,652
Term loans	15,878,210	10,409,435
Agrarian reform	3,171,551	2,943,701
Trust receipts	1,891,822	2,322,443
	₱35,500,432	₱31,737,231

The range of average interest rates of loans receivables from customers of the Bank for the years ended December 31 follows:

	2025	2024	2023
Corporate loans	1.25% to 22.78%	2.50% to 22.78%	2.25% to 18.46%
Individual loans	2.18% to 20.28%	2.18% to 22.67%	2.18% to 22.67%

Interest income on loans and receivables consists of:

	Note	2025	2024	2023
Loans receivable from customers		₱2,239,906	₱2,138,215	₱1,639,226
Receivable from sale of investment in quoted equity shares	8	87,934	87,934	43,969
Sales contract receivables		2,298	2,953	2,737
		₱2,330,138	₱2,229,102	₱1,685,932

10. Property and Equipment

Details and movements of this account are as follows:

	2025					Total
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets (see Note 24)	
Cost						
Balance at beginning of year	₱2,360,888	₱1,269,967	₱628,132	₱71,797	₱305,349	₱4,636,133
Additions	27,095	102,643	100,182	715	78,769	309,404
Disposals	-	(38,830)	(26,337)	(3,686)	(35,890)	(104,743)
Balance at end of year	2,387,983	1,333,780	701,977	68,826	348,228	4,840,794
Accumulated Depreciation and Amortization						
Balance at beginning of year	-	693,766	561,958	62,592	211,129	1,529,445
Depreciation and amortization	-	49,228	47,247	3,308	60,888	160,671
Disposals	-	(6,695)	(23,086)	(3,686)	(30,508)	(63,975)
Balance at end of year	-	736,299	586,119	62,214	241,509	1,626,141
Carrying Amount	₱2,387,983	₱597,481	₱115,858	₱6,612	₱106,719	₱3,214,653

	2024					
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	ROU Assets (see Note 24)	Total
Cost						
Balance at beginning of year	₱2,360,888	₱1,249,283	₱595,722	₱69,857	₱443,301	₱4,719,051
Additions	–	89,070	47,586	3,434	5,042	145,132
Other adjustment	–	–	–	–	(142,994)	(142,994)
Disposals	–	(68,386)	(15,176)	(1,494)	–	(85,056)
Balance at end of year	2,360,888	1,269,967	628,132	71,797	305,349	4,636,133
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	647,693	543,537	59,548	163,794	1,414,572
Depreciation and amortization	–	48,889	30,531	4,066	57,700	141,186
Disposals	–	(2,816)	(12,110)	(1,022)	(10,365)	(26,313)
Balance at end of year	–	693,766	561,958	62,592	211,129	1,529,445
Carrying Amount	₱2,360,888	₱576,201	₱66,174	₱9,205	₱94,220	₱3,106,688

Details of depreciation and amortization are as follows:

	Note	2025	2024	2023
Property and equipment		₱160,671	₱141,186	₱140,755
Investment properties	11	47,417	32,991	44,969
Computer software	12	9,494	8,839	9,109
	22	₱217,582	₱183,016	₱194,833

Details on sale of property and equipment are as follows:

	Note	2025	2024	2023
Proceeds		₱37,022	₱59,016	₱11,165
Carrying amount		35,386	58,743	11,001
Gain on sale	20	₱1,636	₱273	₱164

The disposal on ROU assets pertain to the pre-termination of a lease contract in 2023 (see Note 24).

As at December 31, 2025 and 2024, the fair value of land classified as property and equipment amounted to ₱11,080,448.

11. Investment Properties

Details and movements of this account are as follows:

		2025		
	Note	Land	Buildings and Improvements	Total
Cost				
Balance at beginning of year		₱1,881,751	₱545,161	₱2,426,912
Foreclosures		34,266	4,870	39,136
Disposals		(20,588)	(11,248)	(31,836)
Balance at end of year		1,895,429	538,783	2,434,212
Accumulated Depreciation and Amortization				
Balance at beginning of year		–	235,466	235,466
Depreciation and amortization	10	–	47,417	47,417
Disposals		–	(3,076)	(3,076)

		2025		
	Note	Land	Buildings and Improvements	Total
Balance at end of year		–	279,807	279,807
Accumulated Impairment Losses				
Balance at beginning and end of year		8,003	–	8,003
Carrying Amount		₱1,887,426	₱258,976	₱2,146,402
		2024		
	Note	Land	Buildings and Improvements	Total
Cost				
Balance at beginning of year		₱1,988,246	₱530,162	₱2,518,408
Disposals		(225,911)	(8,089)	(234,000)
Foreclosures		119,416	23,088	142,504
Balance at end of year		1,881,751	545,161	2,426,912
Accumulated Depreciation and Amortization				
Balance at beginning of year		–	209,373	209,373
Depreciation and amortization	10	–	32,991	32,991
Disposals		–	(6,898)	(6,898)
Balance at end of year		–	235,466	235,466
Accumulated Impairment Losses				
Balance at beginning of year		88,607	–	88,607
Reversal	20	(80,604)	–	(80,604)
Balance at end of year		8,003	–	8,003
Carrying Amount		₱1,873,748	₱309,695	₱2,183,443

Details on the sale of investment properties are as follows:

	2025	2024	2023
Proceeds	₱60,431	₱280,937	₱24,784
Carrying amount	28,760	227,102	17,406
Gain on sale	₱31,671	₱53,835	₱7,378

Direct operating expense on investment properties amounted to ₱42,020, ₱33,324 and ₱23,724 in 2025, 2024 and 2023, respectively.

In 2025, 2024 and 2023, loans with an aggregate carrying amount of ₱22,766, ₱54,908 and ₱190,275, respectively, were derecognized in exchange for foreclosed properties. Gain on foreclosure amounted to ₱16,370, ₱87,596 and ₱106,473 in 2025, 2024 and 2023, respectively.

The aggregate fair value of the investment properties amounted to ₱5,872,022 and ₱4,483,614 as at December 31, 2025 and 2024, respectively. Fair value was determined based on valuations made by independent or in-house appraisers. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value. The fair value measurement is categorized as Level 2 (significant observable inputs).

12. Other Assets

This account consists of:

	2025	2024
Prepaid expenses	₱197,257	₱231,679
Creditable withholding tax	93,613	80,586
Computer software	25,665	25,754
Refundable deposits	22,929	21,877
Other investments	21,957	21,657
Stationery and supplies	12,353	13,409
Documentary stamp tax	7,677	18,013
Others	15,332	20,138
	₱396,783	₱433,113

Prepaid expenses comprise mainly of business taxes and licenses, and insurance premium paid in advance.

Movements in computer software are as follows:

	Note	2025	2024
Cost			
Balance at beginning of year		₱108,725	₱95,651
Additions		9,405	13,074
Balance at end of year		118,130	108,725
Amortization			
Balance at beginning of year		82,971	₱74,132
Amortization	10	9,494	8,839
Balance at end of year		92,465	82,971
Carrying Amount		₱25,665	₱25,754

Other investments represent the required minimum amount of investment in various banking facilities to avail of their services and support the viability and sustainability of the banking network system.

13. Allowance for Credit and Impairment Losses

Movements in the allowance for credit and impairment losses on financial assets are as follows:

2025					
	Financial Assets at Amortized Cost (see Note 8)	Debt Securities at FVOCI (see Note 8)	Loans and Receivables (see Note 9)	Commitments and Other Contingent Assets (see Note 16)	Total
Balances at beginning of year	₱18,268	₱21,557	₱3,012,451	₱14,257	₱3,066,533
Provision	316	402	117,309	–	118,027
Translation adjustment	305	294	–	–	599
Balances at end of year	₱18,889	₱22,253	₱3,129,760	₱14,257	₱3,185,159

2024					
	Financial Assets at Amortized Cost (see Note 8)	Debt Securities at FVOCI (see Note 8)	Loans and Receivables (see Note 9)	Commitments and Other Contingent Assets (see Note 16)	Total
Balances at beginning of year	₱14,399	₱18,524	₱3,310,132	₱14,257	₱3,357,312
Provision (reversal)	3,196	2,258	(297,681)	–	(292,227)
Translation adjustment	673	775	–	–	1,448
Balances at end of year	₱18,268	₱21,557	₱3,012,451	₱14,257	₱3,066,533

2023					
	Financial Assets at Amortized Cost (see Note 8)	Debt Securities at FVOCI (see Note 8)	Loans and Receivables (see Note 9)	Commitments and Other Contingent Assets (see Note 16)	Total
Balances at beginning of year	₱18,582	₱24,352	₱4,131,628	₱14,257	₱4,188,819
Reversal	(4,074)	(5,828)	(821,496)	–	(831,398)
Translation adjustment	(109)	–	–	–	(109)
Balances at end of year	₱14,399	₱18,524	₱3,310,132	₱14,257	₱3,357,312

With the foregoing level of allowance for credit and impairment losses, management believes that the Bank has sufficient allowance to cover for any losses that the Bank may incur from the non-collection or non-realization of its financial assets.

Allowance for credit and impairment losses on loans and receivables relates to the following:

	Note	2025	2024
Loans receivables from customers		₱2,915,476	₱2,812,298
Receivable from sale of investment in quoted equity shares		212,924	199,734
Accrued interest		1,360	419
	9	₱3,129,760	₱3,012,451

Below is the analysis of movements of corporate accounts:

2025				
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱23,728,812	₱355,914	₱2,513,056	₱26,597,782
Loan releases	8,690,440	6,000	–	8,696,440
Payments/foreclosures	(5,267,283)	(34,769)	(137,800)	(5,439,852)
Transfers to stage 1	253,250	(253,250)	–	–
Balances at end of year	27,405,219	73,895	2,375,256	29,854,370

(Forward)

	2025			
	Stage 1	Stage 2	Stage 3	Total
Allowance for Impairment and Credit Losses				
Balances at beginning of year	₱138,770	₱354	₱2,145,794	₱2,284,918
Provisions	243,652	–	124,059	367,711
Reversals	(32,306)	(108)	(156,347)	(188,761)
Transfers to stage 1	82	(82)	–	–
Balances at end of year	350,198	164	2,113,506	2,463,868
Carrying Amount	₱27,055,021	₱73,731	₱261,750	₱27,390,502

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱19,901,495	₱469,027	₱3,106,468	₱23,476,990
Loan releases	6,726,418	73,238	–	6,799,656
Payments/foreclosures	(3,099,152)	(47,500)	(532,212)	(3,678,864)
Transfers to stage 1	200,051	(138,851)	(61,200)	–
Balances at end of year	23,728,812	355,914	2,513,056	26,597,782
Allowance for Impairment and Credit Losses				
Balances at beginning of year	214,591	239	2,313,948	2,528,778
Provisions	28,396	329	2,184	30,909
Reversals	(105,022)	–	(169,747)	(274,769)
Transfers to stage 1	805	(214)	(591)	–
Balances at end of year	138,770	354	2,145,794	2,284,918
Carrying Amount	₱23,590,042	₱355,560	₱367,262	₱24,312,864

Below is the analysis of movements of individual accounts:

	2025			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱4,175,084	₱14,979	₱949,386	₱5,139,449
Loan releases	1,128,485	7,917	–	1,136,402
Payments/foreclosures	(513,500)	(2,916)	(113,373)	(629,789)
Transfers to stage 1	4,027	(4,027)	–	–
Transfers to stage 2	(167,204)	167,204	–	–
Transfers to stage 3	(32,895)	(5,163)	38,058	–
Balances at end of year	4,593,997	177,994	874,071	5,646,062
Allowance for Impairment and Credit Losses				
Balances at beginning of year	32,334	618	494,428	527,380
Provisions	18,907	3,049	21,641	43,597
Reversals	(402)	–	(118,965)	(119,367)
Transfers to stage 1	19	(19)	–	–
Transfers to stage 2	(2,193)	2,193	–	–
Transfers to stage 3	(156)	(584)	740	–
Balances at end of year	48,509	5,257	397,844	451,610
Carrying Amount	₱4,545,488	₱172,737	₱476,227	₱5,194,452

	2024			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱3,338,937	₱67,609	₱1,078,369	₱4,484,915
Loan releases	1,561,411	1,464	19,063	1,581,938
Payments/foreclosures	(761,242)	(13,742)	(152,420)	(927,404)
Transfers to stage 1	51,048	(51,048)	–	–
Transfers to stage 2	(11,074)	12,614	(1,540)	–
Transfers to stage 3	(3,996)	(1,918)	5,914	–
Balances at end of year	4,175,084	14,979	949,386	5,139,449

(Forward)

	2024			Total
	Stage 1	Stage 2	Stage 3	
Allowance for Impairment and Credit Losses				
Balances at beginning of year	₱46,177	₱435	₱545,127	₱591,739
Provisions	9,535	551	4,887	14,973
Reversals	(23,193)	(792)	(55,347)	(79,332)
Transfers to stage 1	60	(60)	–	–
Transfers to stage 2	(196)	598	(402)	–
Transfers to stage 3	(49)	(114)	163	–
Balances at end of year	32,334	618	494,428	527,380
Carrying Amount	₱4,142,750	₱14,361	₱454,958	₱4,612,069

14. Deposit Liabilities

This account consists of:

	2025	2024
Savings	₱104,784,063	₱105,422,240
Time	40,281,742	45,317,536
Demand	1,342,414	818,048
	₱146,408,219	₱151,557,824

The BSP Circular No. 1201, *Reduction in Reserve Requirements*, effective on October 25, 2024, reduced the reserve requirement from 9.5% to 7% for universal banks. The BSP Circular No. 1211, *Reduction in Reserve Requirements*, effective on March 28, 2025, further reduced the reserve requirement from 7% to 5% for universal banks. The Bank has available reserves consisting of due from BSP amounting to ₱5,693,530 and ₱8,213,773 as at December 31, 2025 and 2024, respectively, and is compliant with the reserve requirement (see Note 6).

The annual fixed interest rate of deposit liabilities ranges from 0.05% to 5.25% in 2025, 0.05% to 5.25% in 2024 and 0.05% to 5.25% in 2023.

Interest expense on deposit liabilities account consists of:

	2025	2024	2023
Savings deposits	₱3,413,928	₱4,719,686	₱4,045,979
Time deposits	1,711,033	1,783,123	1,262,205
	₱5,124,961	₱6,502,809	₱5,308,184

15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2025	2024
Accrued interest	₱229,548	₱232,877
Accrued expenses	29,991	56,327
Other taxes payable	76,793	71,583
	₱336,332	₱360,787

Other taxes payable mainly pertains to the Bank's accrual for gross receipts tax.

16. Other Liabilities

This account consists of:

	Note	2025	2024
Outstanding acceptances and customers' liabilities		₱156,530	₱35,701
Accounts payable		112,124	113,793
Statutory liabilities		76,075	58,622
Due to the Treasurer of the Philippines		24,807	16,977
Provision for impairment losses on commitments and contingent assets	13	14,257	14,257
Dormant deposit accounts		11,226	10,090
Due to BSP		9,292	9,292
Deposits for safety deposit boxes		3,941	3,848
Retirement liability	21	2,584	2,374
Security deposit		1,663	1,738
Others		21,185	14,652
		₱433,684	₱281,344

Outstanding acceptances and customers' liabilities pertain to payables arising from customer trade for which the Bank has given accommodations to the buyer/importer in the form of acceptance credit. These are normally settled within the next reporting year.

Accounts payable mainly consist of unpaid charges pertaining to cash card and trading transactions and are normally settled in the following month.

Statutory liabilities pertain to amounts due to various government agencies and are normally settled in the following month.

Due to the Treasurer of the Philippines pertains to remaining balances of dormant accounts surrendered to the Treasurer of the Philippines. These are normally settled within the next reporting year.

Due to BSP pertains to accruals for supervision fees which are normally settled in the following year.

Deposits will be refunded to customers at the end of the agreement/contract.

Others mainly consist of deferred charges.

In 2024, the Bank reversed long-outstanding payables aggregating ₱35,632 (see Note 20).

17. Classification of Assets and Liabilities

The following tables present the carrying amount of assets and liabilities classified as either current or noncurrent as at December 31:

	Note	2025			2024		
		Current	Noncurrent	Total	Current	Noncurrent	Total
Financial Assets							
Cash and other cash items	6	₱922,061	₱-	₱922,061	₱1,188,237	₱-	₱1,188,237
Due from BSP	6	17,223,530	-	17,223,530	8,213,773	-	8,213,773
Due from other banks	6	1,513,591	-	1,513,591	1,015,262	-	1,015,262
Securities purchased under resale agreement	7	8,550,000	-	8,550,000	5,130,000	-	5,130,000
Loans and receivables	9	34,397,314	3,200,838	37,598,152	24,556,287	9,185,807	33,742,094
Investment securities:							
Financial assets at FVOCI		390,814	18,232,222	18,623,036	321,830	17,120,947	17,442,777
Financial assets at amortized cost		58,914,996	25,054,117	83,969,113	75,000,000	30,697,836	105,697,836
Other assets*	12	1,425	44,886	46,311	886	43,534	44,420
		121,913,731	46,532,063	168,445,794	115,426,275	57,048,124	172,474,399
Less allowance for credit and impairment losses**	13	831,542	2,339,360	3,170,902	2,757,023	295,253	3,052,276
		121,082,189	44,192,703	165,274,892	112,669,252	56,752,871	169,422,123
Nonfinancial Assets							
Property and equipment	10	-	4,840,792	4,840,792	-	4,636,133	4,636,133
Investment properties	11	-	2,434,212	2,434,212	-	2,426,912	2,426,912
Deferred tax assets - net	26	-	367,611	367,611	-	370,229	370,229
Other assets	12	324,807	118,130	442,937	362,939	108,725	471,664
		324,807	7,760,745	8,085,552	362,939	7,541,999	7,904,938
Less:							
Accumulated depreciation and amortization	10, 11, 12	-	1,998,411	1,998,411	-	1,847,882	1,847,882
Allowance for impairment losses	11	-	8,003	8,003	-	8,003	8,003
		-	2,006,414	2,006,414	-	1,855,885	1,855,885
		324,807	5,754,331	6,079,138	362,939	5,686,114	6,049,053
		₱121,406,996	₱49,947,034	₱171,354,030	₱113,032,191	₱62,438,985	₱175,471,176
Financial Liabilities							
Deposit liabilities	14	₱135,618,474	₱10,789,745	₱146,408,219	₱139,676,837	₱11,880,987	₱151,557,824
Manager's checks		103,866	-	103,866	173,230	-	173,230
Accrued interest and other expenses	15	259,539	-	259,539	289,204	-	289,204
Lease liabilities	24	36,287	79,552	115,839	55,727	57,152	112,879
Other liabilities***	16	340,768	-	340,768	206,091	-	206,091
		136,358,934	10,869,297	147,228,231	140,401,089	11,938,139	152,339,228
Nonfinancial Liabilities							
Accrued taxes	15	76,793	-	76,793	71,583	-	71,583
Unearned interest	8	106,684	-	106,684	308,933	-	308,933
Other liabilities	16	90,332	2,584	92,916	72,879	2,374	75,253
		273,809	2,584	276,393	453,395	2,374	455,769
		₱136,632,743	₱10,871,881	₱147,504,624	₱140,854,484	₱11,940,513	₱152,794,997

*Includes refundable deposits, other investments and RCOI under "Other assets".

**Excluding allowance for commitments and contingent assets.

***Excluding statutory liabilities, provision for impairment losses on commitments and contingent assets and retirement liability.

18. Equity

Capital Stock

Capital stock as at December 31, 2025 and 2024 consists of:

	Number of Shares	Amount
Authorized - ₱10 par value*	2,200,000	₱22,000,000
Issued and outstanding	1,000,000	10,000,000

*Par value is stated in absolute values

The Bank listed its shares in the PSE on February 17, 1988. As at December 31, 2025 and 2024, 1,000,000 of the Bank's common shares are listed in the PSE.

There are no movements in the number of outstanding shares for all the periods presented. As at December 31, 2025 and 2024, the Bank has 88 stockholders of record.

Reserves

Reserves as at December 31, 2025 and 2024 consist of:

	2025	2024
Reserve for general loan loss provision	₱85,988	₱144,305
Reserve for contingencies	38,658	38,658
Reserve for self-insurance	34,002	33,762
Reserve for trust business	3,074	2,494
	₱161,722	₱219,219

In accordance with Appendix 100 – *Guidelines on the Adoption of the PFRS 9, Financial Instruments - Impairment* to Section 172 of the MORB of the BSP, banks should set up general loan loss provision (GLLP) equivalent to 1% of all current loans (after excluding accounts considered as credit risk-free under existing regulations).

In cases when the computed allowance for ECL on current loans is less than the 1.0% GLLP required, the difference should be appropriated from retained earnings using the account "Retained Earnings - General Provision" in the books of the Bank.

"Retained Earnings - General Provision" amounted to ₱85,988 and ₱144,305 as at December 31, 2025 and 2024, respectively. There was no appropriation of retained earnings as at December 31, 2023 as allowance for credit and impairment losses on current loans and receivables are higher than the required 1.0% GLLP.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Bank's personnel or third parties. Additional reserve amounting to ₱240 was recognized in 2025 and 2024.

In compliance with the existing BSP regulations, the Bank should, before the declaration of dividends, carry to retained earnings at least 10% of its income from trust operations since the last preceding dividend declaration until the retained earnings amount to 20% of its authorized capital stock. Additional reserve amounting to ₱580 and ₱2,174 was recognized in 2025 and 2024, respectively.

Appropriated Retained Earnings

On December 16, 2025, the Bank's Board of Directors approved the appropriation of retained earnings amounting to ₱800.0 million to fund planned information technology (IT) transformation and branch expansion initiatives. The appropriation is intended to support enhancements to the Bank's core banking system and other IT-related projects, as well as the expansion of the Bank's branch network through four additional branches, in line with the Bank's approved strategic and capital plans, to be implemented over a five-year period.

The Bank considers it prudent, in light of prevailing economic uncertainties and heightened global risks, to retain the remaining unappropriated retained earnings as capital buffers to cover potential contingencies and support the Bank's business and strategic plans, particularly against adverse foreign exchange movements and market volatility affecting the fair value of securities, among others.

19. Earnings Per Share

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations:

	2025	2024	2023
Net income	₱269,918	₱614,013	₱1,029,109
Weighted average of outstanding common shares	1,000,000	1,000,000	1,000,000
Earnings per share*	₱0.27	₱0.61	₱1.03

**Earnings per share is stated in absolute values*

As at December 31, 2025, 2024 and 2023, there were no outstanding dilutive potential common shares.

20. Other Income - Net

This account consists of:

	Note	2025	2024	2023
Rent income	24	₱98,924	₱142,586	₱54,879
Dividend income	8	72,923	47,222	4,143
Income from trust operations		5,769	5,749	5,540
Gain on:				
Sale of property and equipment	10	1,636	273	164
Reversal of long-outstanding liabilities	16	-	35,632	-
Lease adjustment/modification	24	-	7,771	705
Reversal of (provision for) allowance for impairment losses on investment properties	11	-	80,604	(19,380)
Others - net		34,164	27,402	12,079
		₱213,416	₱347,239	₱58,130

Others consist of loss on derecognition of investment properties, income on pre-terminated time deposits and lease agreements, sale of defective materials and charges for refitting lockset.

21. Compensation and Employee Benefits

This account consists of:

	2025	2024	2023
Salaries and other employee benefits	₱910,710	₱878,386	₱911,178
Retirement benefits	60,718	56,494	50,705
Statutory benefits	44,178	37,920	34,269
Dental, medical and hospitalization	28,146	27,631	15,999
	₱1,043,752	₱1,000,431	₱1,012,151

Retirement Plan

The Bank has a funded, DC plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits in relation to the proportion of the fair value of the total contributions on their attainment of the retirement age. The assets of the fund are being administered by trustees and are held separately from those of the Bank.

Under RA No. 7641, the Bank also provides for its qualified employees a DB minimum guarantee, which is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service. The latest actuarial valuation report is for the year ended December 31, 2024.

The present value of the DB minimum guarantee under RA No. 7641 amounted to ₱2,584 and ₱2,374 as at December 31, 2025 and 2024, respectively (see Note 16). The Bank has no unallocated DC plan assets as at December 31, 2025 and 2024.

The Bank is exposed to the risk of changes in government securities yields, wherein a decrease in government securities yields will increase the projected DB minimum guarantee, although this will be partially offset by an increase in the value of any unallocated plan assets' securities holdings.

Details of the present value of the DB minimum guarantee obligation are as follows:

	Note	2025	2024
Balance at beginning of year		₱2,374	₱2,558
Interest expense		147	151
Current service cost		63	69
Remeasurement gain arising from:			
Experience adjustments		–	(394)
Changes in financial assumptions		–	(10)
Balance at end of year	16	₱2,584	₱2,374

Details of the retirement benefits recognized in profit or loss are as follows:

	2025	2024	2023
Interest expense	₱147	₱151	₱172
Current service cost	63	69	90
Retirement benefits recognized	210	220	262
Retirement benefits on DC plan (contributions during the year)	60,508	56,274	50,443
	₱60,718	₱56,494	₱50,705

Details of cumulative remeasurement gains on retirement liability as at December 31, 2024 follow:

	Cumulative Remeasurement Gains	Deferred Tax (see Note 26)	Net
Balance at beginning of year	₱10,598	₱2,649	₱7,949
Remeasurement gain	404	101	303
Balance at end of year	₱11,002	₱2,750	₱8,252

The Bank did not recognize any remeasurement gain in 2025.

The average duration of the defined benefit obligation at the end of 2025 and 2024 is 11 years and 12 years, respectively.

As at December 31, 2025 and 2024, the Bank's undiscounted benefit payments amounting to ₱2,584 are expected to be settled within one to five years.

The Bank's assumptions are based on actual historical experience and external data regarding salary and discount rate trends. The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimation of DB obligation.

22. Occupancy, Depreciation and Equipment-related Expenses

This account consists of:

	Note	2025	2024	2023
Depreciation and amortization	10	₱217,582	₱183,016	₱194,833
Rent	24	12,466	17,858	13,984
		₱230,048	₱200,874	₱208,817

23. Other Operating Expenses

This account consists of:

	Note	2025	2024	2023
Taxes and licenses		₱447,326	₱471,004	₱456,490
Insurance		312,828	319,845	304,491
Security, messengerial and janitorial		209,988	182,392	163,711
Information technology		72,869	80,518	102,594
Communications, light and water		59,211	58,215	59,712
Professional fees		38,522	25,281	15,382
Litigation-related expense		29,506	27,820	26,666
Repairs and maintenance		21,985	19,479	21,855
Promotions and business development		18,299	19,621	45,733
Supervision and examination fees		14,280	31,292	73,035
Transportation and travel		11,503	11,848	12,625
Supplies expense		10,977	10,548	9,589
Interest expense on lease liabilities	24	6,488	7,425	11,307
Documentary stamp tax		2,742	2,136	8,581
Others		68,102	69,014	50,407
		₱1,324,626	₱1,336,438	₱1,362,178

Others mainly pertain to bank charges, meals and service charges.

24. Lease Commitments

As a Lessee

The Bank has various non-cancellable lease agreements for its branches for a period of one to 10 years, renewable upon mutual agreement of both parties and subject to annual lease escalation of 5% to 10%.

ROU assets pertain to leased branch premises (see Note 10).

Movements in the lease liabilities are presented below.

	2025	2024
Balance at beginning of year	₱112,879	₱303,940
Additions	78,769	5,042
Payments	(75,629)	(68,305)
Interest expense	6,488	7,425
Other adjustment	–	(135,223)
Pre-termination	(6,668)	–
	115,839	112,879
Current portion	36,287	55,727
Noncurrent portion	₱79,552	₱57,152

Lease-related expenses are presented below.

	Note	2025	2024	2023
Amortization of ROU assets	10	₱60,888	₱57,700	₱65,923
Rent expense	22	12,466	17,858	13,984
Interest on lease liabilities	23	6,488	7,425	11,307
		₱79,842	₱82,983	₱91,214

In 2024, the Bank made certain adjustments to its ROU assets and lease liabilities to reflect the accurate payment term for a lease agreement. This resulted to a gain on lease adjustment amounting to ₱7,771 (see Note 20).

In 2023, the Bank pre-terminated a lease contract resulting to a gain on pre-termination amounting to ₱705 (see Note 20).

Rent expense in 2025, 2024 and 2023 pertains to short-term lease on some branches with less than 12 months term and variable lease payments.

Undiscounted amounts of future lease commitments are as follows:

	2025	2024
Not later than one year	₱53,450	₱67,614
Later than one year but not more than five years	77,069	101,831
	₱130,519	₱169,445

As a Lessor

The Bank has various non-cancellable agreements for the surplus space of its branches. Each lease agreement has terms of one to 25 years, renewable upon mutual agreement of the parties, and has an annual agreed escalation.

Rent income amounted to ₱98,924, ₱142,586 and ₱54,879 in 2025, 2024 and 2023, respectively (see Note 20). In 2025 and 2024, rent income includes variable lease payments amounting to ₱43,234 and ₱94,099, respectively.

Undiscounted amounts of future lease payments to be received are as follows:

	2025	2024
Not later than one year	₱38,474	₱37,135
Later than one year but not more than five years	115,423	153,897
Later than five years	8,163	8,163
	₱162,060	₱199,195

25. Related Party Transactions and Balances

In the ordinary course of business, the Bank can enter into loan and other transactions with its related parties 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. The amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the BSP regulations.

In the ordinary course of business, the Bank has transactions with related parties summarized as follows:

Nature of Transactions	2025		2024	
	Transactions during the Year	Outstanding Balances	Transactions during the Year	Outstanding Balances
Entities under Common				
Management				
Loans and receivables	₱1,423,053	₱2,511,340	₱228,327	₱1,088,287
Interest income	40,769	-	48,122	-
Investment in equity securities	-	3,242	1,095	2,850
Deposit liabilities	290,344	993,095	50,113	702,751
Interest expense	26,754	-	29,327	-
Rent income	24,000	-	118,099	-
Rent expense	27,073	-	24,461	-
Others	-	-	27,276	-
Stockholders				
Loans and receivables	2,314,002	2,749,002	419,000	435,000
Interest income	55,875	-	46,471	-
Interest				
Loans and receivables	(2,364,002)	-	-	2,364,002
Interest income	92,351	-	153,496	-

Terms and Conditions

Loans and Receivables. Loans and receivables from related parties pertain to bills discounted loan with a term of three to five years and bear annual interest rates ranging from 3.50% to 5.00% in 2025, 2024 and 2023.

Investments in Equity Securities. This pertains to investments in quoted equity securities that are classified as financial assets at FVOCI.

Deposit Liabilities. Deposits made by related parties bear interest rates ranging from 0.25% to 3.63% in 2025, 2024 and 2023.

Rent Income. Lease transactions, as a lessor, have term of one to 25 years and renewable upon mutual agreement of the parties.

Rent Expense. Lease transaction, as a lessee, have term of one to two years and renewable upon mutual agreement of the parties.

Other Transactions. Other transactions with entities under common management pertain to services rendered by related parties to the Bank that are included under other operating expenses.

Compensation of Key Management Personnel

The compensation of the key management personnel included under compensation and employee benefits follows:

	2025	2024	2023
Short-term employee benefits	₱181,006	₱175,684	₱156,093
Post-employment retirement benefits	39,702	57,290	7,288
	₱220,708	₱232,974	₱163,381

Transactions with Retirement Plan

Management of the retirement fund of the Bank is handled by its Trust Unit. The fair values of the fund amounted to ₱1,178,949 and ₱1,128,408 as at December 31, 2025 and 2024, respectively.

26. Income Taxes

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 "Income tax expense" in the statements of income.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDU and offshore banking units (OBU). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBU, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBU or other depository banks under the expanded system is subject to 10% final income tax.

Components of income tax expense are as follows:

	2025	2024	2023
Final tax	₱985,135	₱1,207,668	₱1,094,614
Deferred income tax	2,618	1,864	172,245
	₱987,753	₱1,209,532	₱1,266,859

There is no current income tax expense in 2025 and 2024 because the Bank is in a gross and taxable loss position.

The reconciliation of the income tax expense at statutory tax rate and income tax expense as presented in the statements of income is as follows:

	2025	2024	2023
Income tax expense at statutory tax rate	₱314,418	₱455,886	₱573,992
Tax effects of:			
Expiration of NOLCO	1,304,617	-	-
Interest income subjected to final tax	(551,725)	(356,611)	(594,315)
Changes in unrecognized deferred tax assets	(360,405)	764,398	982,328
Nondeductible expenses	333,638	391,628	358,268
Nontaxable income	(52,790)	(45,769)	(53,414)
Income tax expense at effective tax rate	₱987,753	₱1,209,532	₱1,266,859

Deferred tax expense is recognized as follows:

	2025	2024
Through:		
Profit or loss	₱2,618	₱1,864
Other comprehensive income	-	101
	₱2,618	₱1,965

Details of net deferred tax assets are as follows:

	2025	2024
Deferred tax assets on:		
Allowance for credit and impairment losses on loans and receivables	₱485,958	₱485,958
Excess of lease liabilities over ROU assets	2,280	4,664
Retirement liability	646	593
	488,884	491,215
Deferred tax liabilities on:		
Unrealized gain on foreclosure of investment properties	(121,264)	(120,977)
Others	(9)	(9)
	(121,273)	(120,986)
	₱367,611	₱370,229

Net recognized deferred tax assets are recognized as follows:

	Note	2025	2024
Through:			
Profit or loss		₱370,361	₱372,979
Other comprehensive loss	21	(2,750)	(2,750)
		₱367,611	₱370,229

As at December 31, the Bank has not recognized deferred tax assets relating to NOLCO and deductible temporary differences as follows:

	2025	2024
NOLCO	₱3,544,995	₱3,934,728
Allowance for impairment losses on:		
Loans and receivables	296,482	267,154
Investment properties	6,979	6,979
Commitments and contingent assets	3,564	3,564
	₱3,852,020	₱4,212,425

Management assessed that it is not probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets on the foregoing NOLCO and deductible temporary differences to be utilized.

Details of NOLCO are as follows:

Year incurred	Year of expiry	Amount	Incurred	Expired	Balance
2020	2025	₱2,732,975	₱-	₱2,732,975	₱-
2021	2026	1,707,575	-	-	1,707,575
2022	2025	2,485,491	-	2,485,491	-
2023	2026	4,136,009	-	-	4,136,009
2024	2027	4,676,860	-	-	4,676,860
2025	2028	-	3,659,537	-	3,659,537
		₱15,738,910	₱3,659,537	₱5,218,466	₱14,179,981

Under RA No. 11494, *Bayanihan to Recover as One Act*, and Revenue Regulations No. 25-2020, the Bank is allowed to carry over its net operating losses for the taxable years 2020 and 2021 for the next five consecutive taxable years immediately following the year of such loss.

Under the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act, the RCIT of domestic corporations was reduced from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. MCIT was changed from 2% to 1% of gross income for a period of three years up to June 30, 2023.

The rate of MCIT reverted to 2% based on gross income starting July 1, 2023. The impact of the revision is accounted for in 2023, if any.

Current tax rates used in 2025, 2024 and 2023 is 25% RCIT and 2%, 1.5% and 1% MCIT, respectively.

27. 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 compliance with the requirements of current banking regulations relative to the Bank's trust functions: (a) government securities included under financial assets at amortized cost in the statements of financial position with a total face value of ₱20,000 as at December 31, 2025 and 2024, are deposited with the BSP as security for the Bank's faithful compliance with its fiduciary obligations; and (b) a certain percentage of the Bank's trust fee income is transferred to retained earnings. This yearly transfer is required until the retained earnings for trust function equals 20.00% of the Bank's authorized share capital.

28. Commitments and Contingent Assets and Liabilities

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

As at December 31, 2025 and 2024, the Bank is involved in legal proceedings mainly relating to uncollected loans and foreclosed properties. Based on the assessment of management in consultation with its legal counsels, the Bank is in a good position to secure favorable judgment in most of these legal cases. Management therefore believes that the outcome of these legal proceedings will not have any material adverse effect on the financial position and performance of the Bank.

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

	2025	2024
Trust department accounts	₱1,178,949	₱1,128,408
Unused commercial letters of credit	306,005	293,256
Outward bills for collection	15,171	40,507
Late deposits	5,238	21,606
Inward bills for collection	7,017	11,928
Trade related guarantees	1,138	-
Items held as collateral	9	11
	₱1,513,527	₱1,495,716

29. Segment Information

A segment is a distinguishable component of the Bank that is engaged either in providing types of services (business segment).

The banking operations for the years ended December 31, 2025, 2024 and 2023 have two major business segments - lending and treasury operations. The foregoing segments contribute the most in the generated income of the Bank. Gross revenues for treasury operations accounted for 36%, 39%,

and 65% while the remaining 64%, 61%, and 35% came from lending and allied operations of total revenues for the years ended December 31, 2025, 2024 and 2023, respectively. Lending operation is largely limited to commercial loans which accounted for approximately 99% of total loan portfolio for the three years under review.

The table below present financial information on business segments as at and for the years ended December 31:

	2025		
	Treasury Group	Lending Group	Total
Segment Revenue			
Interest income from treasury operations	₱6,212,738	₱-	₱6,212,738
Interest expense	(5,126,547)	-	(5,126,547)
Interest income from lending operations	-	2,330,138	2,330,138
Provision for credit and impairment losses	(718)	(117,309)	(118,027)
Other income	508,304	47,905	556,209
	1,593,777	2,260,734	3,854,511
Compensation and employee benefits	(950,852)	(92,900)	(1,043,752)
Income tax expense	(987,753)	-	(987,753)
Segment Operating Profit (Loss)	(344,828)	2,167,834	1,823,006
Unallocated expenses:			
Occupancy, depreciation and equipment-related expenses			(230,048)
Other operating expenses			(1,323,040)
			₱269,918
Segment Assets	₱134,863,908	₱36,490,122	₱171,354,030
	2024		
	Treasury Group	Lending Group	Total
Segment Revenue			
Interest income from treasury operations	₱7,439,197	₱-	₱7,439,197
Interest expense	(6,502,809)	-	(6,502,809)
Interest income from lending operations	-	2,229,102	2,229,102
Reversal of (provision for) credit and impairment losses	(5,454)	297,681	292,227
Other income	628,397	194,570	822,967
	1,559,331	2,721,353	4,280,684
Compensation and employee benefits	(943,979)	(56,452)	(1,000,431)
Income tax expense	(1,209,532)	-	(1,209,532)
Segment Operating Profit (Loss)	(594,180)	2,664,901	2,070,721
Unallocated expenses:			
Occupancy, depreciation and equipment-related expenses			(200,874)
Other operating expenses			(1,255,834)
			₱614,013
Segment Assets	₱142,639,890	₱32,831,286	₱175,471,176

	2023		
	Treasury Group	Lending Group	Total
Segment Revenue			
Interest income from treasury operations	₱6,764,658	₱-	₱6,764,658
Interest expense	(5,307,160)	(1,024)	(5,308,184)
Interest income from lending operations	-	1,685,932	1,685,932
Reversal of credit and impairment losses	9,852	821,546	831,398
Other income	441,748	482,942	924,690
	1,909,098	2,989,396	4,898,494
Compensation and employee benefits	(964,081)	(48,070)	(1,012,151)
Income tax expense	(1,266,859)	-	(1,266,859)
Segment Operating Profit (Loss)	(321,842)	2,941,326	2,619,484
Unallocated expenses:			
Occupancy, depreciation and equipment-related expenses			(208,817)
Other operating expenses			(1,381,558)
			₱1,029,109
Segment Assets	₱147,686,240	₱28,750,398	₱176,436,638

30. Supplementary Information Required under the BSP Circular No. 1074, Series of 2020, Amendments to Regulations on Financial Audit of Banks

The following supplementary information is required by Appendix 55 – *Disclosure Requirements to the Audited Financial Statements* to Section 174 of the MORB of the BSP, issued through the BSP Circular No. 1074.

A. Financial Performance Indicators

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

Ratio	Formula	2025	2024
Return on average equity	Net income	₱269,918	₱614,013
	Divided by: average equity	23,262,793	22,924,701
	Return on equity	0.012:1	0.027:1
Return on average assets	Net income	₱269,918	₱614,013
	Divided by: average assets	173,412,603	175,953,907
	Return on assets	0.002:1	0.003:1
Net interest margin	Net interest income	₱3,417,915	₱3,165,490
	Divided by: average interest earning assets	167,567,972	168,642,415
	Net profit margin	0.020:1	0.019:1

B. Description of Capital Instruments Issued

As at December 31, 2025 and 2024, the Bank has only one class of capital stock, which is common shares.

C. Significant Credit Exposures as to Industry Sector

As at December 31, information on the concentration of loans and receivables from customers (at gross amounts) as to industry follows:

	2025		2024	
	Amount	Percentage	Amount	Percentage
Wholesale and retail trade	₱16,452,901	46.35%	₱11,364,720	35.81%
Real estate, renting and business activities	5,869,369	16.53%	6,230,420	19.63%
Manufacturing	3,977,075	11.20%	3,712,868	11.70%
Agriculture	2,383,818	6.71%	2,355,603	7.42%
Construction	2,193,819	6.18%	1,785,572	5.63%
Accommodation and food service activities	1,173,664	3.31%	1,984,654	6.25%
Transportation, storage and communication	555,363	1.56%	422,899	1.33%
Financial intermediaries	516,500	1.45%	423,157	1.33%
Education	399,803	1.13%	320,581	1.01%
Arts, entertainment and recreation	164,371	0.46%	280,193	0.88%
Water supply, sewerage, waste management & remediation activities	160,664	0.45%	₱81,484	0.26%

(Forward)

	2025		2024	
	Amount	Percentage	Amount	Percentage
Health and social work	159,081	0.45%	200,675	0.63%
Information and communication	129,595	0.37%	1,124,778	3.54%
Administrative and support service activities	95,346	0.27%	91,243	0.29%
Professional, scientific and technical activities	48,943	0.14%	47,115	0.15%
Private households with employed persons	3,430	0.01%	3,770	0.01%
Mining and quarrying	3,150	0.01%	3,400	0.01%
Others	1,213,540	3.42%	1,261,599	3.99%
Philippine government	–	–	42,500	0.13%
	₱35,500,432	100.00%	₱31,737,231	100.00%

Loans under wholesale and retail trade, repair of motor vehicles and motorcycles exceeding the 30% concentration limit, as prescribed by the BSP, pertain to retail loan exposures that do not cover a specific industry.

D. Breakdown of Total Loans Receivables from Customers

As to Security

The following table presents the breakdown of loans receivable from customers by type of security:

	2025		2024	
	Amount	Percentage	Amount	Percentage
Secured:				
Real estate mortgage	₱17,929,277	50.50%	₱13,231,381	41.69%
Hold-out	1,512,949	4.26%	1,728,166	5.45%
Chattel mortgage	1,394,553	3.93%	1,412,878	4.45%
Shares of stock	648,282	1.83%	619,002	1.95%
Others	535,896	1.51%	547,563	1.72%
	22,020,957	62.03%	17,538,990	55.27%
Unsecured	13,479,475	37.97%	14,198,241	44.74%
	₱35,500,432	100.00%	₱31,737,231	100.00%

As to Status

The following table presents the breakdown of loans receivable from customers as to the status - performing or NPL:

	2025	2024
Performing:		
Bills discounted loans	₱13,569,998	₱13,515,045
Term loans	13,954,338	9,924,229
Agrarian reform	3,079,564	2,943,701
Trust receipts	1,875,279	2,322,443
	32,479,179	28,705,418
Non-performing:		
Term loans	1,923,872	1,749,388
Bills discounted loans	988,850	1,173,725
Agrarian reform	91,988	92,157
Trust receipts	16,543	16,543
	3,021,253	3,031,813
	₱35,500,432	₱31,737,231

Loans and receivables are considered non-performing, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interest is probable and payments of interest and/or principal are received for at least six months or (b) written-off.

Gross NPL ratio of the Bank as at December 31, 2025 and 2024 is 6.86% and 8.22%, respectively. Net NPL ratio of the Bank as at December 31, 2025 and 2024 is 1.67% and 1.80%, respectively.

E. Information on Related Party Loans

In the ordinary course of business, the Bank has loans and other transactions 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. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, DOSRI loans should not exceed the Bank's equity or 15% of the Bank's total loan portfolio, whichever is lower.

During 2025, the Bank undertook a review of its credit exposure to DOSRI and implemented measures to align such exposures with regulatory limits, including the consolidation of certain exposures under a single counterparty. As at December 31, 2025, the Bank is compliant with applicable BSP DOSRI regulations.

The following table shows information relating to DOSRI accounts of the Bank:

	DOSRI		Related Parties	
	2025	2024	2025	2024
Total outstanding DOSRI/related party loans	₱2,749,002	₱2,799,002	₱2,511,340	₱1,088,287
Percent of DOSRI/related party loans to total loan portfolio	6,240	7.592	5,701	2.952
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	–	0.822	95.674	95.422

There were no past due and non-performing loans to DOSRI and related party loans as at December 31, 2025 and 2024.

Based on the requirements of the BSP, the total outstanding loans, credit accommodations and guarantees to each of the bank's subsidiaries and affiliates should not exceed 10% of the bank's net worth, the unsecured portion should not exceed 5% of such net worth. Further, the total outstanding exposures should not exceed 20% of the net worth of the lending bank.

Total interest income on DOSRI accounts amounted to ₱148.2 million, ₱200.0 million and ₱213.3 million in 2025, 2024 and 2023, respectively.

The effects of the foregoing transactions are shown under the appropriate accounts in the financial statements.

F. Aggregate Amount of Secured Liabilities and Assets Pledged as Security

No asset is pledged by the Bank to secure outstanding liabilities as at December 31, 2025 and 2024.

G. Contingencies and Commitments Arising from Off-Balance Sheet Items

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

	2025	2024
Trust department accounts	₱1,178,949	₱1,128,408
Unused commercial letters of credit	306,005	293,256
Outward bills for collection	15,171	40,507
Late deposits	5,238	21,606
Inward bills for collection	7,017	11,928
Trust related guarantees	1,138	-
Items held as collateral	9	11
	₱1,513,527	₱1,495,716